



AGENDA

Ordinary meeting of the

Audit, Risk and Finance Subcommittee

**Thursday 30 July 2015
Commencing at 1.00pm
Ruma Mārama
Level 2A, Civic House
110 Trafalgar Street, Nelson**

Membership: Mr John Peters (Chairperson), Her Worship the Mayor Rachel Reese, Councillors Ian Barker and Brian McGurk, and Mr John Murray

Guidelines for councillors attending the meeting, who are not members of the Committee, as set out in Standing Orders:

- All councillors, whether or not they are members of the Committee, may attend Committee meetings (SO 2.12.2)
- At the discretion of the Chair, councillors who are not Committee members may speak, or ask questions about a matter.
- Only Committee members may vote on any matter before the Committee (SO 3.14.1)

It is good practice for both Committee members and non-Committee members to declare any interests in items on the agenda. They should withdraw from the table for discussion and voting on any of these items.

1. Apologies

- 1.1 Apologies have been received from Her Worship the Mayor, Rachel Reese and Mr John Peters

2. Confirmation of Order of Business**3. Interests**

- 3.1 Updates to the Interests Register
- 3.2 Identify any conflicts of interest in the agenda

4. Public Forum**5. Confirmation of Minutes**

- 5.1 18 June 2015 **6 - 12**

Document number M1286

Recommendation

THAT the minutes of the meeting of the Audit, Risk and Finance Subcommittee, held on 18 June 2015, be confirmed as a true and correct record.

**6. Status Report - Audit Risk and Finance
Subcommittee - 30 July 2015****13 - 14**

Document number R4596

Recommendation

THAT the Status Report Audit, Risk and Finance Subcommittee 30 July 2015 (R4596) and its attachment (A1324298) be received.

- 7. Chairperson's Report**
- 8. Update on charging interest on general debtors 15 - 22**

Document number R4579

Recommendation

THAT the report Update on charging interest on general debtors (R4579) and its attachment (A1353429) be received;

AND THAT Council do not proceed with charging interest on overdue general debtors at this time.

Recommendation to Governance Committee

THAT the Draft Debt Management Policy (A1353429) be approved.

- 9. Update on business case approach 23 - 27**

Document number R4454

Recommendation

THAT the report Update on business case approach (R4454) and its attachment (A1331113) be received.

- 10. Corporate Report to 31 May 2015 28 - 48**

Document number R4523

Recommendation

THAT the report Corporate Report to 31 May 2015 (R4523) and its attachments (A1376070, A1384382, A1384389, A1375171, A1366415, A793514) be received and the variations noted.

FINANCE

11. Rates Remissions for 2014/15 49 - 60

Document number R4204

Recommendation

THAT the report Rates Remissions for 2014/15 (R4204) and its attachments (A1383906 and A1222068) be received.

12. Insurance Renewal for 2015/16 61 - 64

Document number R4245

Recommendation

THAT the report Insurance Renewal for 2015/16 (R4245) be received.

13. Bad debt report to 30 June 2015 65 - 66

Document number R4206

Recommendation

THAT the report Bad debt report to 30 June 2015 (R4206) be received.

14. 2014/15 Audit New Zealand Letters 67 - 87

Document number R4433

Recommendation

THAT the report 2014/15 Audit New Zealand Letters (R4433) and its attachments (A1371563 and A1372353) be received.

AND THAT the Subcommittee provide any feedback on the engagement letter to Audit NZ.

Minutes of a meeting of the Audit, Risk and Finance Subcommittee

Held in Ruma Mārama, Level 2A, Civic House, 110 Trafalgar Street, Nelson

On Thursday 18 June 2015, commencing at 1.03pm

Present: Mr J Peters (Chairperson), Her Worship the Mayor R Reese, Councillors I Barker and B McGurk, and Mr J Murray

In Attendance: Councillors P Matheson and G Noonan, Chief Executive (C Hadley), Group Manager Community Services (C Ward), Manager Capital Projects (S Davies), Senior Accountant (T Hughes), and Administration Adviser (S McLean)

1. Apologies

There were no apologies.

2. Confirmation of Order of Business

There was no change to the order of business.

3. Interests

There were no updates to the Interests Register, and no interests with items on the agenda were declared.

4. Public Forum

There was no public forum.

5. Confirmation of Minutes

5.1 5 May 2015

Document number M1202, agenda pages 6 - 13 refer.

Resolved AUD/2015/009

THAT the minutes of the meeting of the Audit, Risk and Finance Subcommittee, held on 5 May 2015, be confirmed as a true and correct record.

McGurk/Barker

Carried

6. Status Report - Audit, Risk and Finance Subcommittee - 18 June 2016

Document number R4386, agenda pages 14 - 15 refer.

It was agreed the final list of projects to follow a business case approach would be provided to the Subcommittee.

Resolved AUD/2015/010

THAT the Status Report Audit, Risk and Finance Subcommittee 18 June 2015 (R4386) and its attachment (A1324298) be received.

Barker/McGurk

Carried

7. Chairperson's Report

Document number R4390, agenda page 16 refers.

Resolved AUD/2015/011

THAT the Chairperson's Report (R4390) be received and the updates noted.

Peters/Murray

Carried

8. Draft Debt Management Policy

Document number R4178, agenda pages 17 - 23 refer.

It was suggested the Policy contain a flowchart which showed the management process for various levels of debt.

There was discussion on charging interest for outstanding debt. It was advised that this could be done under legislation, but may be difficult to do within Council's systems.

The Chief Executive, Clare Hadley, emphasised that debtors to Council could include volunteer groups, sporting clubs and charity organisations, and discretion may be required when applying interest.

Concern was raised that the Policy did not contain detail on how discretion could be exercised.

Accounting Services Manager, Lynn Anderson, advised that the outstanding debt process now commenced at 60 days overdue.

There was discussion on whether interest should be charged on all outstanding debt, with discretion to waive for certain cases, or if interest would only be applied in certain cases.

Concern was raised that waiving interest charges would create risks for Council.

It was agreed that interest would be charged on all outstanding debt, unless an instalment arrangement as per section 3.4 of the Policy was made prior to the due date.

It was agreed that interest would not be charged to those on instalment arrangements, unless the arrangements were not upheld in which case interest would be charged from the original due date.

There was discussion on the interest rate to charge on outstanding debt. It was noted that Council's weighted average cost of interest was low and may not be an appropriate level.

It was suggested that officers contact Local Government New Zealand to investigate interest rate levels charged in the public sector.

It was agreed that the second sentence in the second bullet point under section 3.4 of the Policy would be removed.

In response to a question, Ms Anderson advised that business units received information on debtors to ensure further engagement did not take place. She added that she reviewed outstanding debts on a monthly basis, and Inland Revenue had certain processes to follow before an amount could be written off.

In response to questions, Ms Anderson advised the debt collection agency sent regular reports on progress of collecting outstanding debts. She said that once a debt reached a certain threshold, it would be reported to the Audit, Risk and Finance Subcommittee.

There was discussion on the process for invoice disputes.

Attendance: Her Worship the Mayor left the meeting at 1.47pm.

Resolved AUD/2015/012

THAT the report Draft Debt Management Policy (R4178) and its attachment (A1353429) be received;

AND THAT the following edits be made to the Draft Debt Management Policy before the Policy is reported back to the Subcommittee for consideration:

- ***Inclusion of flowchart regarding processes for various debt levels***
- ***Implementation of an interest charge/penalty regime for unpaid debts***
- ***Interest rate to be charged following research with Local Government New Zealand***
- ***Explanation of interest charge to be included in terms of credit***

Murray/Barker

Carried

9. Corporate Report to 30 April 2015

Document number R4244, agenda pages 24 - 43 refer.

Attendance: Her Worship the Mayor returned to the meeting at 1.50pm.

In response to a question, Senior Accountant, Tracey Hughes, advised that managers were advised regularly about high annual leave balances and there was a level at which a plan to take leave was required. The Chief Executive, Clare Hadley, pointed out that this information was included in Council's Annual Report, as well as being regularly presented to the Chief Executive Employment Committee.

In response to questions, Ms Hughes advised that the \$43,000 less than projected for landfill fees was not at a level to be concerned about. She confirmed that headworks maintenance was deliberately scheduled at the end of the financial year for practical reasons.

Her Worship the Mayor congratulated Group Manager Community Services, Chris Ward, and his team on the media coverage for the Cricket World Cup and for delivering the event under budget.

In response to questions, Ms Hughes advised that variances were not compared with the original budget, they were compared to the adjusted budget as at the end of April.

It was agreed the On Track heading for the Completed Projects in Attachment 5 to the report (A1366144) would be amended to avoid confusion.

In response to questions, Mrs Hadley advised that landowner consultation on Stage 2 of the Saxton Creek Upgrade had not progressed

during the Long Term Plan 2015-25 consultation. It was agreed that the update should state 'delayed due to the need to continue landowner consultation'.

In response to a question, Manager Capital Projects, Shane Davies, advised the delay on the Orphanage Stream upgrade related to cultural impact assessments. Mrs Hadley highlighted this was an issue for a number of projects.

It was suggested that issues with cultural impact assessments needed a solution and this should be added to the Risk Register.

In response to questions, Mr Davies advised that considerable effort had been made to communicate with residents affected by the Tasman Street upgrade (Nile to Bronte). He said internal processes were being developed for project wrap up reporting.

It was asked that officers include detail on the Maitai Walkway financials in the next Corporate Report, and add it to the completed portion of the project status report.

It was asked that reporting on earthquake-prone buildings be clearer in future.

Resolved AUD/2015/013

THAT the report Corporate Report to 30 April 2015 (R4244) and its attachment (A1366139) be received and the variations noted.

McGurk/Barker

Carried

10. Risk Register and Framework Plan

Document number R4246, agenda pages 44 - 53 refer.

The Chief Executive, Clare Hadley, provided an update on recruitment for the new Organisational Assurance team.

The Chairperson asked that issues with cultural impact assessments be reflected in the Risk Register.

There was discussion on the link between the risks of reputational damage to Council and insufficient/incomplete advice.

It was suggested that the Political heading on the Risk Register be changed to Political/Governance.

Resolved AUD/2015/014

THAT the report Risk Register and Framework Plan (R4246) and its attachments (A1241121 and A1359808) be received.

Barker/Murray

Carried

11. Exclusion of the Public

Resolved AUD/2015/015

THAT the public be excluded from the following parts of the proceedings of this meeting.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

McGurk / Barker

Carried

Item	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Particular interests protected (where applicable)
1	Audit, Risk and Finance Subcommittee Meeting - Public Excluded - 5 May 2015	Section 48(1)(a) The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7.	The withholding of the information is necessary: <ul style="list-style-type: none">• Section 7(2)(a) To protect the privacy of natural persons, including that of a deceased person.• Section 7(2)(i) To enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).

The meeting went into public excluded session at 2.40pm and resumed in public session at 2.42pm.

Please note that as the only business transacted in public excluded was to confirm the minutes, this business has been recorded in the public minutes. In accordance with the Local Government Official Information

Meetings Act, no reason for withholding this information from the public exists.

Resolved AUD/2015/016

THAT the minutes of part of the meeting of the Audit, Risk and Finance Subcommittee, held with the public excluded on 5 May 2015, be confirmed as a true and correct record.

Murray/McGurk

Carried

12. Re-admittance of the Public

Resolved AUD/2015/017

THAT the public be re-admitted to the meeting.

Peters / Murray

Carried

There being no further business the meeting ended at 2.42pm.

Confirmed as a correct record of proceedings:

_____ Chairperson _____ Date

30 July 2015

REPORT R4596

**Status Report - Audit Risk and Finance Subcommittee -
30 July 2015**

1. Purpose of Report

- 1.1 To provide an update on the status of actions requested and pending.

2. Recommendation

***THAT the Status Report Audit, Risk and Finance
Subcommittee 30 July 2015 (R4596) and its
attachment (A1324298) be received.***

Shailey McLean
Administration Adviser

Attachments

Attachment 1: A1324298 - Status Report - Audit, Risk and Finance
Subcommittee - July 2015

Action Sheets Report	Committee: Audit, Risk and Finance Subcommittee
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MEETING DATE	SUBJECT	MOTION	RESPONSIBLE OFFICER	COMMENTS
18 June 2015	Draft Debt Management Policy	<p>Resolved AUD/2015/012</p> <p><u>THAT</u> the report Draft Debt Management Policy (R4178) and its attachment (A1353429) be received;</p> <p><u>AND THAT</u> the following edits be made to the Draft Debt Management Policy before the Policy is reported back to the Subcommittee for consideration:</p> <ul style="list-style-type: none"> • Inclusion of flowchart regarding processes for various debt levels • Implementation of an interest charge/penalty regime for unpaid debts • Interest rate to be charged following research with Local Government New Zealand • Explanation of interest charge to be included in terms of credit 	Nikki Harrison	<p>30 July 2015</p> <p>Report included in Audit, Risk and Finance Subcommittee agenda 30 July 2015.</p> <p>Complete</p>

Update on charging interest on general debtors

1. Purpose of Report

- 1.1 To update the Committee on charging interest on general debtors.

2. Delegations

- 2.1 The Audit, Risk and Finance Subcommittee has oversight of the management of financial risk.

3. Recommendation

THAT the report Update on charging interest on general debtors (R4579) and its attachment (A1353429) be received;

AND THAT Council do not proceed with charging interest on overdue general debtors at this time.

Recommendation to Governance Committee

THAT the Draft Debt Management Policy (A1353429) be approved.

4. Background

- 4.1 The following resolution was passed at the Audit, Risk and Finance subcommittee on 18 June 2015:
- ***AND THAT*** the following edits be made to the Draft Debt Management Policy before the Policy is reported back to the Subcommittee for consideration:
 - Inclusion of flowchart regarding processes for various debt levels;
 - Implementation of an interest charge/penalty regime for unpaid debts;

- Interest rate to be charged following research with Local Government New Zealand;
- Explanation of interest charge to be included in terms of credit.

5. Discussion

- 5.1 Officers also spoke to Napier Computer Systems (NCS), who provide our financial system and they have confirmed that the system does not currently have the capability of charging interest on overdue accounts. They believe the development work to achieve this is significant and would cost the Council upwards of \$20,000. This would also require additional ongoing resourcing within Council to administer the charging regime as Council would have to move to open item invoicing.
- 5.2 Officers have also considered if this could be administered manually and believe that this is not a robust solution and the resourcing implications are significant.
- 5.3 Officers have researched the charging of interest for general debtors and have not been able to find another council in New Zealand that does this. Local Government NZ was also not aware of any and therefore could not provide feedback on the appropriate interest rate to be charged.
- 5.4 Outstanding 3 month plus general debtors is less than 1% of total debtors (including rates and water) each month. Also, given the low level of bad debts written off historically, officers do not recommend moving to an interest charging regime at this time and that current resourcing would be better utilised focusing on getting debt collection done promptly.

6. Options

- 6.1 Accept the recommendation – significant cost and resourcing implications outweigh the benefits.
- 6.2 Reject the recommendation.

7. Alignment with relevant Council policy

- 7.1 This decision is not inconsistent with any other previous Council decisions as the previous recommendation was to bring this report back for consideration of the Committee.
- 7.2 The Chief Executive has put in place an IT Steering Committee which, if a decision was made at the Committee to proceed, means that this development would have to be assessed and weighed up against other IT priorities. No budget has been set aside for this development.

8. Assessment of Significance against the Council's Significance and Engagement Policy

- 8.1 This is not a significant decision under the Council's Significance and Engagement Policy.

9. Consultation

- 9.1 No consultation has been undertaken in preparing this report.

10. Inclusion of Māori in the decision making process

- 10.1 No consultation with Maori has been undertaken in preparing this policy.

Lynn Anderson
Accounting Services Manager

Attachments

Attachment 1: A1353429 - Draft Debt Management Policy



Draft Debt Management Policy

Effective June 2015

Review date June 2018

- 1. Contact: Accounting Services Manager, Finance**



1. Policy Objectives and Scope

The Policy Objectives and Scope are as follows:

- 1.1. To ensure Council manages its Accounts Receivable in such a way that reduces risk to the organisation and protects the income earned for services provided.
- 1.2. Provides a consistent approach to the management and follow-up of debt.
- 1.3. Provides the rules and general guidance around extending credit to third parties.
- 1.4. Provides the rules around the write-off of debt.
- 1.5. This policy excludes rates (including water rates), parking, and dogs which are covered by statutory processes.

2. Principles of Policy

The guiding principles for this policy are as follows:

- 2.1. Responsibilities. All business units are responsible to provide complete and accurate information for any chargeable work or services to external parties for billing purposes.
- 2.2. Risk Management. Principles of risk management will underpin decisions made in relation to credit and debt management. The business unit providing the goods and/or service is accountable to ensuring that the debtor is a good credit risk, ensuring Council's exposure to potential debt write-off is eliminated.
- 2.3. Fairness and Equity. Council will ensure that all debts are managed fairly and equitably. Parties that incur debts do so on the understanding that Council's standard terms of payment are met.

3. Policy Guidelines

The sections following are intended as a guide to ensure outstanding debts are managed and reported to Council.

- 3.1. Extending Credit:
 - It is the responsibility of managers to ensure that debts raised by invoice are properly chargeable and comply with applicable regulations, laws and Council policies.
 - Standard credit application forms, appropriate to the level of credit to be extended, or the risk, will be completed when a customer applies for credit.
 - Managers and their delegates should request a credit check from the finance team before they agree to extending credit. A credit check is to be based on:
 - The value of the work being undertaken is above \$10K, or
 - A lesser amount if the business unit feels it is appropriate, or
 - Where there is a potential risk to the organisation, or
 - Where there is the potential for an ongoing relationship between Council and the debtor and a credit history has not previously been established.

- In cases where the credit check indicates a high level of risk, then the Accounting Services Manager should determine that payment terms are to be "Cash in Advance".

3.2. Payment Terms and Invoicing:

- Council's payment terms are displayed on the invoice. Standard terms being the 20th of the month following the date of the invoice.
- Other credit terms may apply in relation to the approved fees and charges schedule and any ongoing changes, e.g. cash in advance for building consents.
- Where a debtor does not pay within the credit term, the debtor is to be considered in default of the agreement to pay, and collection procedures are to be initiated as appropriate.
- The Managers are provided a list of all aged debtor accounts, each month showing the status in respect of invoices as raised by staff within their group.
- All invoices must be raised against individuals or legal entities, i.e. limited liability companies or incorporated societies, which provides a specific source of contact for debt recovery.
- Where possible, arrangements will be put in place to ensure that Council's interests are protected eg for seasonal ground use fees, spreading payment over session rather than invoicing all at the end.

3.3. Debt Collection:

- Where debtors are in default of the credit terms, the Finance Team is to initiate appropriate collection procedures after having notified the appropriate manager or their delegate of the debtor status and confirmed that no reason exists that would inhibit collection procedures.
- Appropriate collection procedures may include suspending any further entitlement to credit, and/or to the extent permitted by law, refrain from supplying further goods or services to the customer, until such time as the outstanding debt is repaid in full.
- All debts over \$10K and/or of high profile which are likely to be reported to the Audit Risk and Finance Committee are to be brought to the attention of the Group Manager of the group that raised the debt.
- With the approval of the Group Manager Corporate Services, interest may be charged on outstanding debts at Council's weighted average interest rate for the period it is outstanding.

3.4. Payment Arrangement by Instalments:

- All amounts owing to Nelson City Council should be paid in full immediately when they become due and payable. However, there may be situations where it is not possible for an amount to be paid in full immediately, e.g. where full immediate repayment would lead to unreasonable financial hardship on the customer.



- Only the Accounting Services Manager may agree to recovery of debts by instalment. The Group Manager Corporate Services may accept a reasonable request for the payment of an outstanding amount by instalments, provided that reasonable progress is made promptly within a specified date.
- Any instalment repayment agreement is to be documented in writing and agreed by both the debtor and Accounting Services Manager.
- An explicit term of any such arrangement is that the failure by the debtor to pay any instalment on or before the due date will render the full amount of the debt then outstanding, immediately due and payable.

3.5. Dispute Settlement:

- Where payment of an outstanding debt is disputed by a debtor, the Debtors Officer will refer to the following Invoice Dispute Procedure as detailed in the Terms and Conditions.
- Consultation should be made with the relevant operational staff to attempt to mediate a solution. Any amounts not in dispute must be paid in full and on time.

3.6. Invoice Dispute Procedure:

- If the customer disagrees with a tax invoice provided by Nelson City Council:
 - The customer must notify Nelson City Council in writing no later than 10 business days following receipt of the invoice, setting out in reasonable detail the nature of the invoice dispute and the reasons for non-payment
 - Nelson City Council will acknowledge receipt of such invoice dispute notice and both parties' responsible managers will endeavour to promptly settle the invoice dispute by agreement
 - If, on resolution of the invoice dispute, an amount is due to Nelson City Council, the customer will pay that amount to Nelson City Council within five business days of resolution of the dispute, or if a building or resource consent, as per the terms of the consent.
- Where only a portion of an amount claimed in a tax invoice is the subject of an invoice dispute (disputed portion), this clause will only apply to the disputed portion and the balance of the amount payable in respect of that tax invoice must be paid by the customer to Nelson City Council no later than the due date of the invoice.

3.7. Bad Debts:

- Debts unable to be collected are to be known as bad debts and must be submitted annually to the Audit Risk and Finance Committee for write-off if over \$2,500.
- These debts are to be registered with Council's external debt collection agency or liquidator/receiver for continued collection.
- The authority levels pertaining to the write-off of bad debts have been approved by Council, as follows:

- General Manager Corporate Services approves any debt write-off up to a maximum of \$2,500 for any one item.
- Debt write-off amounts in excess of \$2,500 per item require Council approval and will be submitted to the Audit Risk and Finance Committee.
- All debts written off are to be recorded for future possible action and information, and systems are to be updated to best ensure that staff are aware before raising further debts.

4. Monitoring and Implementation

4.1. Reporting:

- All debts over \$10,000 and greater than 90 days overdue will be reported to the Audit Risk and Finance Committee.
- Other significant debts under \$10,000 where there is a potential risk of non payment, or debts of a sensitive nature, will be reported to the Audit Risk and Finance Committee.

4.2. The policy will be reviewed every three years or at the request of Council or in response to changed legislative and statutory requirements or in response to any issues that may arise.

5. Responsibility

5.1. The Debtors Officer is responsible for Debtor Management, with the assistance of the Accounting Services Manager for escalation where required. Outstanding debts will be reviewed on a regular basis by the Debtor Officer and the Accounting Services Manager and decisions will be made as to the most appropriate debt recovery action. This can include:

- Issue of regular reminders
- Personal contact with the debtor
- Referral of matter to the manager responsible for initiating the debt (where appropriate)
- Escalation of matter to the Group Manager Corporate Services and/or referral to debt recovery agents.

Update on business case approach

1. Purpose of Report

- 1.1 To inform the Audit, Risk and Finance Subcommittee of the Council resolution on 11 June 2015.

2. Delegations

- 2.1 This is a matter for the Audit Risk and Finance Subcommittee within its responsibility in the areas of risk management and internal control, and monitoring of Council's financial and service performance.

3. Recommendation

THAT the report Update on business case approach (R4454) and its attachment (A1331113) be received.

4. Discussion

- 4.1 The following resolution was made at the Council meeting held on 11 June 2015:

THAT the report Business Case Approach for 2015/16 Projects - Revised Projects Listing (R4354) and its attachment (A1331113) be received;

AND THAT the projects highlighted yellow in document A1331113 follow a business case approach.

- 4.2 At the Audit, Risk and Finance Subcommittee meeting on 18 June 2015, it was requested that the final list of projects to adopt a business case approach be provided to the Subcommittee. This can be found in Attachment 1.

Arlene Akhlaq
Senior Projects Adviser

Attachments

- Attachment 1: A1331113 - Final approved selection of capital funded projects included in the Long Term Plan 2015-25 to follow a business case approach

CAPEX Projects Y1-3

	A	C	D	P	Q	R	S	T	U	V	W	X
				Project has clear outcome?	Project is well defined?	Project has large value?	Potential political interest is high?	Potential public interest is high?	15/16	16/17	17/18	Y1-3Total
6	Committee	project name	Project Definition									
7	Works & Infrastructure	EQ Prone Building Remediation	Physical work to bring buildings up to standard required						500,000	513,050	526,595	1,539,645
8	Commercial	Civic House Capital Programme	Funding for new assests and building modifications						180,000	389,918	242,234	812,152
9	Works & Infrastructure	Strategic Land Purchases	Options for strategic land purchases for consideration (approval by Council resolution)						3,166,500	2,328,634	1,855,986	7,351,120
10	Commercial	Civic House Veranda renewal	Investigation of options regarding and repairs or replacement of existing veranda at Civic House						350,000	-	-	350,000
11	Commercial	Civic House Renewal Programme	Renewal work and modifications						3,166,500	2,328,634	1,855,986	7,351,120
12												
13	Works & Infrastructure	Trafalgar Centre Reopening	Undertake strengthening work to facilitate reopening of the Trafalgar Centre	Separate reporting through Council					9,534,253	-	-	9,534,253
16	Community Services	Rutherford/Trafalgar Park Development	Beginning of development in line with Rutherford Park development plan	Separate reporting through Council					1,900,000	307,830	526,595	2,734,425
17	Governance	General Reserves land purchase programme	Purchase of land for Parks and Reserves						635,634	410,440	579,255	1,625,329
18	Community Services	Marina Hardstand	Provide adequate public hardstand at the Marina	Business case scheduled for during 2015/16					-	1,539,150	-	1,539,150
19	Community Services	Modellers Pond Solution	Improve water quality and amenity of pond						1,000,000	-	-	1,000,000
20	Community Services	Neighbourhood parks upgrade program	Works include: completion of the Glen Reserve, Pioneers Park, Victory Square; removal of house at 65 Muritai Street to enable levelling, grassing and fencing of the extension to Burrell Park						100,000	410,440	105,319	615,759
21	Community Services	Rutherford playground	Provision of a play space near the Maitai shared path						60,000	554,094	-	614,094
22	Community Services	Water sports building at Marina	Sea sports facility to house a range of water users						-	51,305	526,595	577,900
23	Community Services	Renewal Saxton hockey turf	Replacement hockey water turf						-	-	526,595	526,595
24	Community Services	Nayland remodelling	Nayland pool remodelling	Critical plant renewal (not remodelling)					152,640	184,698	157,979	495,317
25	Community Services	Swimming Pools Renewal Prgm	Nayland Pipe Renewals						101,171	123,308	226,194	450,673
26	Community Services	Horticulture Parks Renewal Prgm	New & Renewal of minor furniture/sign items within Horticultural Parks.						56,000	252,420	58,979	367,399
27	Community Services	Replacement of benched seats	Flat floor seating renewal for Trafalgar Centre.						-	359,135	-	359,135
28	Community Services	Esplanade & Foreshore Planting Prgm	Revegetation of Esplanade & Foreshore Reserves not currently in desirable vegetation, includes Tahunanui beach						100,000	102,610	105,319	307,929
29	Works & Infrastructure	Sports Parks access/carparks	Renewal of car parks, access ways as per condition assessment report						85,000	87,219	89,521	261,740
30	Works & Infrastructure	Saxton Creek Upgrade	Upgrade stream channel and associated culverts, walkways and planting, recreation pond enhancements (noted as 2 projects rows 30 and 63)						-	256,525	-	256,525
31												
32	Community Services	Stoke sports & community facility	New sports and community facility in Stoke - Construction Year 2	Reporting through Community Services Committee					1,000,000	4,617,450	-	5,617,450
33	Commercial	Suter redevelopment	Upgrade of Gallery	Multi-year project in progress					2,403,288	-	-	2,403,288
34	Community Services	Elma Turner Library extension	Consents and planning following Elma Turner investigation						-	205,220	308,585	513,805
35	Works & Infrastructure or Community Services	Millers Acre toilet	Increase toilet facilities available at Millers Acre						32,205	359,135	-	391,340
36	Community Services	Community Housing Renewals	Renewal work for community housing						100,000	102,610	105,319	307,929
37												
38	Works & Infrastructure	Sealed road resurfacing	Renewal of existing sealed carriageway surfaces. Needed to protect underlying road structure						1,326,000	1,360,609	1,396,530	4,083,139

Capital funded projects included for year 1 of the draft Long Term Plan 2015-25 (A1331113)

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21/07/2015 4:00 p.m.

CAPEX Projects Y1-3

	A	C	D	P	Q	R	S	T	U	V	W	X
6	Committee	project name	Project Definition	Project has clear outcome?	Project is well defined?	Project has large value?	Potential political interest is high?	Potential public interest is high?	15/16	16/17	17/18	Y1-3Total
39	Works & Infrastructure	Rocks Road cycling and walking project	Investigation of walking and cycling options for Rocks Road	Separate reporting through Council					390,000	307,830	2,432,869	3,130,699
41	Works & Infrastructure	Roading Minor Improvement Programme	(funding line only, to fund projects with a total cost of less than \$300,000. Budget allocated to projects once priorities defined)						650,000	666,965	684,574	2,001,539
42	Works & Infrastructure	Traffic services renewals	Renewal of traffic signal controllers, and update obsolete communications equipment						405,000	436,585	385,429	1,227,014
43	Works & Infrastructure	Bridge/retaining walls renewals	Renewal of bridge and retaining wall structures. Needed to halt active failure of retaining walls and ensure bridges on routes to essential assets are at an appropriate seismic standard						450,768	377,268	334,329	1,162,365
44	Works & Infrastructure	Renewals footpaths	Renewal of existing sealed footpath surfaces. Needed to ensure surfaces are safe and level of service is appropriate for pedestrians						300,000	309,677	319,760	929,437
45	Works & Infrastructure	Tahunanui cycle network	Provide improved level of service and safety for cyclists in the Tahunanui area						100,000	266,786	526,595	893,381
46	Works & Infrastructure	Sealed road pavement rehabilitation	General pavement rehabilitation with sites to be confirmed, to address surface failures that cannot be solved with patching or reseal						3,166,500	2,328,634	1,855,986	7,351,120
47	Works & Infrastructure	Halifax (Maitai to Milton Street)	New stormwater pipe as part of wide Wood area storm water upgrade						10,000	51,305	631,914	693,219
48	Works & Infrastructure	Todd Bush Rd upgrade	Roading renewal with footpath to improve pedestrian safety and level of service						600,000	-	-	600,000
49	Works & Infrastructure	CBD Enhancements	General inner city enhancements with priority to be decided by Councillors	Separate reporting through Council					50,000	256,525	263,298	569,823
50	Works & Infrastructure	On and off street parking meters	Renewal of on-street parking meters which are past their design life						-	-	494,999	494,999
51	Works & Infrastructure	New Footpaths	New footpaths to fill gaps in the existing pedestrian network, to ensure surfaces are safe and level of service is appropriate for pedestrians						50,000	205,220	210,638	465,858
52	Works & Infrastructure	Parking Strategy Implementation	Actions from the Draft Parking Strategy: improve guide signage, review mobility space locations, monitor cycle parking demand and respond, motorhome parking in the CBD, carpooling trial and investigate graduated parking charges for long term users						270,000	123,132	-	393,132
53	Works & Infrastructure	Drainage renewals	Renewal of kerb and channel and other road related drainage, needed to ensure pavement structure remains dry						100,000	103,226	106,587	309,813
54												
55	Works & Infrastructure	Neale Park PS upgrade	Redevelopment and upgrade of Neale Park Sewer pump station.						250,000	3,078,300	3,159,570	6,487,870
56	Works & Infrastructure	Corder Park Pump Station upgrade	Construction of new pump station at Corder Park including a section of Atawhai rising main replacement. Replaces existing pump station and delays the need to replace sections of Atawhai rising main	Multi-year project in progress					2,700,000	-	-	2,700,000
57	Works & Infrastructure	Wastewater pipe renewals	Renewal of sewer pipes throughout city. Old earthenware pipes replaced						300,000	538,703	552,925	1,391,628
58	Works & Infrastructure	Renewals pump stations	Reconditioning and renewal of 6 pumps						130,000	133,393	136,915	400,308
59	Works & Infrastructure	Awatea Place	First stage of project to construct new sewer pump station at Awatea Place, subsequent stages of rising and trunk main construction to allow decommissioning of both Parkers Road pump stations						-	307,830	52,660	360,490
60	Works & Infrastructure	Ngawhatu Valley sewer trunk main	Stage 1 upgrade existing reticulation between Ngawhatu and Main Road Stoke to allow for future development in the upper Ngawhatu Valley. Stage 2 from Main Road Stoke to Songer St pump station						335,000	-	-	335,000
61	Works & Infrastructure	Hampton St East- Little Go Stream	Upgrade capacity						250,000	-	-	250,000
62												
63	Works & Infrastructure	Saxton Creek Upgrade	Upgrade stream channel and associated culverts, walkways and planting, recreation pond enhancements (noted as 2 projects rows 30 and 63)						2,000,000	2,052,200	1,579,785	5,631,985
64	Works & Infrastructure	Hampden St East - Little Go Stream - Stage 2	Waimea Road pipeline section with sewer and water renewal, and complete resurfacing						4,000,000	718,270	-	4,718,270
65	Works & Infrastructure	York Stream Channel upgrade	Install large diameter storm water pipe from Caltex at Bishopdale to Stream in Tipahi Strett						750,000	769,575	526,595	2,046,170

Capital funded projects included for year 1 of the draft Long Term Plan 2015-25 (A1331113)

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21/07/2015 4:00 p.m.

9. Update on business case approach - Attachment 1 - A1331113 - Final approved selection of capital funded projects included in the Long Term Plan 2015-25 to follow a business case approach

CAPEX Projects Y1-3

	A	C	D	P	Q	R	S	T	U	V	W	X
		project name	Project Definition	Project has clear outcome?	Project is well defined?	Project has large value?	Potential political interest is high?	Potential public interest is high?	15/16	16/17	17/18	Y1-3Total
6	Committee											
66	Works & Infrastructure	St Vincent/Hastings St Culvert	Storm water renewal, due to chloride corrosion of box culvert walls from tidal flows						100,000	153,915	1,579,785	1,833,700
67	Works & Infrastructure	Orphanage Stream upgrade	Investigate options for increasing capacity of bridges and culverts plus channel break out points from Ngawhatu Valley to Whakatu Drive						250,000	153,915	789,893	1,193,808
68	Works & Infrastructure	Halifax (Maitai to Milton Street)	New stormwater pipe as part of wide Wood area storm water upgrade						50,000	25,653	895,212	970,865
69	Works & Infrastructure	Railway Reserve - Saxton Rd West - Dryden Street	Install stormwater to connect historical subdivisions that discharged direct to railway reserve; development contributions previously collected						80,000	769,575	-	849,575
70	Works & Infrastructure	Wastney Terrace stormwater (pvt drain prgm)	Upgrade of the public stormwater system to serve the future development potential (Harris sub-division on Sunnybank Rise, plus Atawhai Syndicate and Gourdie sub-divisions below)						800,000	-	-	800,000
71	Works & Infrastructure	Inventory of Urban Streams	Set up models of streams to confirm flood capacity and support future works						600,000	-	-	600,000
72	Works & Infrastructure	Whakatu Drive (Storage World)	Upgrade stormwater pipe under Whakatu Drive adjacent Storage World, flooding occurred in April 2013						50,000	51,305	526,595	627,900
73	Works & Infrastructure	Nile Street East	Upgrade section of undersized pipeline from outlet in Maitai to Nile St East, flooding occurred in 2011						50,000	513,050	-	563,050
74	Works & Infrastructure	Flood mitigation	Construction of gravel traps and upgrading intake structures in Poormans and Orphanage Streams						150,000	153,915	157,979	461,894
75	Works & Infrastructure	Vanguard Street Stormwater	Review of capacity of St Vincent Street and Vanguard Streets stormwater and secondary flow paths. Bottom end of the York Stream review. Part of the Nelson Central investigation and upgrade						50,000	51,305	315,957	417,262
76	Works & Infrastructure	Rutherford Stage 1 - Girls College detention	Investigate potential to use Nelson College for Girls Playing field as detention pond for Little Go Stream, to take pressure off Rutherford Street box culvert						80,000	51,305	263,298	394,603
77	Works & Infrastructure	Maire Stream - Stage 1	Stage 1 improve channel design adjacent stormwater pipe outlet, which was damaged in 2014 due to rain event						50,000	51,305	263,298	364,603
78	Works & Infrastructure	Brook Stream fish passage	Investigate potential for adding layer of flat rock to base of concrete section of Brook Stream to improve fish passage						50,000	51,305	263,298	364,603
79	Works & Infrastructure	Fifeshire Crescent	Review section of stormwater pipe 1 to 17 Fifeshire Crescent, and upgrade as necessary						50,000	51,305	263,298	364,603
80	Works & Infrastructure	Brook Stream Outlet low flow	Construct a low flow channel immediately downstream of Nile Street bridge. Adjacent energy dissipation/gravel pool. Will aid ongoing gravel removal by keeping flow away from pool						50,000	51,305	263,298	364,603
81	Works & Infrastructure	Tahuna Slope Risk Area	Review of utilities in the slope risk overlay. Address areas without stormwater and fix utilities that may introduce water into the slope failure zone						100,000	102,610	105,319	307,929
82	Works & Infrastructure	Montcalm/Arrow/Washington Valley/Hastings Street	Investigate stormwater overflows and located property flooding throughout the valley. Links to stormwater box culvert in St Vincent Street						150,000	153,915	-	303,915
83	Works & Infrastructure	Maitai upgrade & enhancement	Upgrade the flow capacity of the Maitai river in urban sections						100,000	102,610	105,319	307,929
84	Works & Infrastructure	Public/private drains	Funding line only - budget will be allocated to projects as prioritised						100,000	102,610	105,319	307,929
85												
86	Works & Infrastructure	Maitai Pipeline (water treatment plant to Westbrook Terrace)	Construction scheduled 2015/2017	Multi-year project in progress					2,100,000	2,052,200	-	4,152,200
87	Works & Infrastructure	Water Pipe renewal Prgm	Funding line - individual projects to be prioritised						544,000	814,723	836,233	2,194,956
88	Works & Infrastructure	New membrane (Train 5)	Adding new train (#5) at the Water Treatment Plant						1,000,000	-	1,053,190	2,053,190

Capital funded projects included for year 1 of the draft Long Term Plan 2015-25 (A1331113)

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21/07/2015 4:00 p.m.

CAPEX Projects Y1-3

	A	C	D	P	Q	R	S	T	U	V	W	X
6	Committee	project name	Project Definition	Project has clear outcome?	Project is well defined?	Project has large value?	Potential political interest is high?	Potential public interest is high?	15/16	16/17	17/18	Y1-3Total
90	Works & Infrastructure	Residential Meters renewal Prgm	Trial of remote sensing meters in conjunction with NTL to renew existing residential meters throughout the city to avoid misreading errors						100,000	102,610	526,595	729,205
91	Works & Infrastructure	Maitai Resource consent renewal	Investigation of freshwater issues in Maitai river in advance of applying for consent for abstraction in 2016						200,000	205,220	210,638	615,858
92	Works & Infrastructure	Water Loss Reduction Programme	Address 30% un-accounted for water. Critical part of new resource consent applications						200,000	205,220	210,638	615,858
93	Works & Infrastructure	Roding Resource Consent Renewal	Investigation of freshwater issues in Roding river in advance of applying for consent for abstraction in 2016						200,000	205,220	210,638	615,858
94	Works & Infrastructure	Water Treatment Plant Renewals	Required to ensure ongoing functionality of treatment plant						246,000	143,654	216,957	606,611
95	Works & Infrastructure	Hampton St East- Little Go Stream	Upgrade capacity						500,000	-	-	500,000
96	Works & Infrastructure	Capital: Atawhai No.2 Reservoir	Identify and secure site for future reservoir for Atawhai area. Mix of growth and level of service						87,000	102,610	300,159	489,769
97	Works & Infrastructure	Backflow Prevention Prgm	installation of backflow prevention to commercial/industrial properties connected to NCC water supply						150,000	153,915	157,979	461,894
98	Works & Infrastructure	Commercial meter renewals programme	Renew commercial water meters and install more accurate low-flow meters; lined to backflow prevention						150,000	153,915	157,979	461,894
99	Works & Infrastructure	Fire Flow Upgrades	Upgrade to piping and fire hydrants in isolated areas of the city to comply with NZ Fire Service code of practice						100,000	102,610	210,638	413,248
100	Works & Infrastructure	Pump Stations - Renewals	Water pump stations renewal programme for pumps and fittings						-	277,047	73,683	350,730
101	Works & Infrastructure	Seismic Risk Upgrades	Works to secure water network from earthquake impacts. First stage is reservoirs and syphons						100,000	102,610	105,319	307,929
102	Works & Infrastructure	Water loss reduction areas establishment	Integral part of water loss reduction. Establishes metered areas in the network to find those with high leakage rates, to prioritise repair works						50,000	102,610	105,319	257,929
103												

Corporate Report to 31 May 2015

1. Purpose of Report

- 1.1 To inform the members of the Audit, Risk and Finance Subcommittee on the financial results of activities for the 11 months ending 31 May 2015 compared to the final projection, completed as part of the Long-Term Plan 2015-2025 (LTP), and to highlight and explain any material variations.

2. Delegations

- 2.1 The Audit, Risk and Finance Subcommittee has oversight of the management of financial risk and makes recommendations to the Governance Committee and to Council.

3. Recommendation

THAT the report Corporate Report to 31 May 2015 (R4523) and its attachments (A1376070, A1384382, A1384389, A1375171, A1366415, A793514) be received and the variations noted.

4. Background

- 4.1 The report focuses on the 11 month performance compared with the year to date projection. Budgets/projections for operating income and expenditure are phased evenly through the year, whereas capital expenditure budgets/projections are phased to occur mainly in the second half of the year.
- 4.2 Projections (forecasts) were updated in April as part of the work informing the final LTP.
- 4.3 Some definitions of terms used within this report:
- Operating income – all income other than rates including metered water, grants, fees, rentals, and recoveries;
 - Rates – includes the general rate, wastewater, stormwater and flood protection rates, and targeted rates for Solar Saver;

- Staff costs – salaries plus overheads such as training, super, professional fees and office accommodation expenses;
- Depreciation – includes all depreciation, and any losses on asset disposal/retirement;
- Interest – includes debt interest, bank fees, interest rate swap margins, treasury and rating agency fees.

5. Discussion

- 5.1 The report focuses on performance to date compared with the year to date projections. More detailed financials by sub-activity are in Attachment 2.
- 5.2 For the 11 months ending 31 May 2015, the activity surplus/deficits are \$2.6 million favourable to projection.
- 5.3 Revenue and expenditure variances are discussed by activity.
- 5.4 Staff expenses are \$181,000 in total better than projected. Variances in activities illustrate where staff time has actually been spent against where it was expected to be spent at the time of setting the 2014/15 Annual Plan. Savings identified through the projections exercise are reflected in total in the Corporate Activity.

NCC variance to projection to 31 May 2015					
	YTD Actual	YTD Final Projection	YTD Variance	Annual Plan Full Year	Final Projection Full Year
Income					
Rates Income	(48,284,090)	(48,284,090)	0	(52,673,553)	(50,401,379)
Other Income					
Corporate	(13,227,083)	(13,852,161)	(625,078)	(14,166,209)	(15,111,448)
Parks & Active Recreation	(2,571,730)	(2,676,614)	(104,884)	(2,905,507)	(2,919,942)
Social	(2,382,937)	(2,455,102)	(72,165)	(2,709,558)	(2,678,293)
Economic	(727,208)	(699,914)	27,294	(591,000)	(763,542)
Transport	(4,489,971)	(4,532,919)	(42,948)	(5,175,508)	(4,945,002)
Environmental Management	(7,998,291)	(8,259,968)	(261,677)	(9,563,411)	(9,010,874)
Wastewater	(2,097,496)	(2,406,936)	(309,439)	(2,015,248)	(2,625,748)
Stormwater	(5,000)	0	5,000	0	0
Water Supply	(10,999,388)	(11,006,494)	(7,105)	(11,960,436)	(12,007,084)
Flood Protection	0	0	0	0	0
Total Income	(92,783,195)	(94,174,196)	(1,391,001)	(101,760,430)	(100,463,312)
Expenses					
Corporate	11,096,536	11,197,142	100,606	14,097,165	12,215,064
Parks & Active Recreation	13,060,442	13,629,319	568,877	15,912,459	14,868,348
Social	11,737,292	12,034,748	297,456	13,112,455	13,128,816
Economic	2,384,468	2,542,953	158,485	2,810,073	2,774,131
Transport	14,007,226	14,625,336	618,110	15,840,403	15,954,912
Environmental Management	13,438,778	14,421,113	982,334	16,383,014	15,732,123
Wastewater	8,021,396	8,441,857	420,461	9,353,813	9,209,299
Stormwater	3,641,304	3,832,321	191,017	3,864,795	4,180,714
Water Supply	10,160,121	10,608,072	447,951	11,960,436	11,572,442
Flood Protection	469,460	636,542	167,082	1,057,936	694,410
Total Expenses	88,017,024	91,969,405	3,952,380	104,392,549	100,330,259
Net (Surplus)/Deficit	(4,766,170)	(2,204,791)	2,561,379	2,632,119	(133,053)

NCC variance to projection to 31 May 2015

Activity	Year to Date Variance to Projection					
	Surplus (Better)/Worse	Revenue (Better)/Worse	Expenses - Staff	Expenses - other	Expenses - Interest	Expenses - Depr
Corporate	524,471	625,077	408,111	(392,417)	(151,022)	34,723
Parks & Active Recreation	(463,993)	104,884	(206,618)	(277,347)	(32,201)	(52,711)
Social	(225,291)	72,165	(109,560)	(170,114)	(11,771)	(6,012)
Economic	(185,780)	(27,294)	130,566	(289,051)	()	0
Transport	(575,162)	42,948	(60,825)	(522,105)	(35,305)	125
Environmental Management	(720,657)	261,677	(130,293)	(846,388)	(3,824)	(1,830)
Wastewater	(111,022)	309,439	(21,082)	(315,615)	(143,006)	59,242
Stormwater	(196,017)	(5,000)	(158,661)	2,860	(35,183)	(32)
Water Supply	(440,845)	7,105	(25,008)	(429,064)	(26,200)	32,322
Flood Protection	(167,082)	0	(7,505)	(99,326)	(64,220)	3,967
Total	(2,561,379)	1,391,001	(180,875)	(3,338,565)	(502,732)	69,792

Corporate

- 5.5 The Corporate activity is \$524,000 worse than projection due to a range of factors including:
- 5.5.1 Revenue – \$625,000 less than projection. Income in the Disaster Recovery Fund is \$317,000 under projection due to timing of further insurance proceeds relating to the 2011 emergency event. Analysis has been completed and an accrual in the region of \$750,000 is expected to be made. Internal interest is \$329,000 under projection reflecting the timing of capital expenditure.
 - 5.5.2 Expenses – staff \$408,000 higher than projection. Organisation-wide savings in staff expenditure identified through the latest projection exercise have reduced budget available in this activity.
 - 5.5.3 Expenses – other \$392,000 better than projection as the contingency has not yet been called on (\$138,000) and Civic House expenditure is under projection (\$114,000). Property condition assessments expenditure is \$26,000 behind and the budget for post earthquake inspections (reactive budget), year to date \$41,000, currently has only \$1,000 recorded against it. There is currently an underspend of \$36,000 in outgoings and maintenance costs for Civic House. Expenditure on the Strategic Property Review is currently being incurred, but is \$37,000 under projection as at the end of May. Third party communications costs (including production costs for Live Nelson) are under projection by \$40,000.
- 5.6 Parks and Active Recreation
- 5.7 The Parks and Active Recreation activity is \$464,000 better than projection due to:
- 5.7.1 Revenue - \$105,000 less than projection due to timing of some revenue streams such as the golf course and Saxton Stadium.
 - 5.7.2 Expenses – staff - \$207,000 better than projection. The distribution of staff time over the organisation differs from anticipated and there are savings across this activity but particularly in Community Programmes, Esplanade and Foreshore Reserves, Sports Parks and Recreation Liaison. Savings identified through the projections exercise are represented in total in the Corporate activity.
 - 5.7.3 Expenses – other - \$277,000 better than projection. Regional Community Facilities is \$43,000 more than projection as the second grant to the Brook Waimarama Sanctuary Fence has been paid in full (\$524,000 - timing). Year to date expenditure is under projection in many areas including maintenance (\$89,000), General operating expenditure (\$95,000) and consultancy costs (\$127,000).

Social

- 5.8 The Social activity is \$225,000 better than projection due to:

- 5.8.1 Revenue - \$72,000 less than projection due to the timing of the Founder's Book Fair income which is received in June.
- 5.8.2 Expenses – staff - \$110,000 less than projected, over a wide range of activities.
- 5.8.3 Expenses – other - \$170,000 better than projection. Base operating expenditure is \$110,000 underspent year to date across a large range of activities, for items such as water, insurance, maintenance, cleaning and electricity. Expenditure against property maintenance contracts are currently \$66,000 under projection.

Economic

- 5.9 The Economic activity is \$186,000 better than projection due to:
 - 5.9.1 Expenses – staff - \$131,000 more than budgeted, almost entirely in the Cricket World Cup sub-activity. This is a budgeting issue as the number of staff hours required was within the 4,000 allowed as part of \$900,000 expenditure cap in the contract.
 - 5.9.2 Expenses – other - \$289,000 better than projection. The Economic Development expenditure is under projection by \$318,000. The events contestable fund is \$192,000 under projection. If unspent at year end the balance will be held in reserve for future years. There is no spending to date in the business incubator (timing), facilities marketing and economic impact assessment. Expenses relating to the CWC are now complete, producing a timing effect of expenditure being \$30,000 more than projection. The cost to rates of the Cricket World Cup overall was \$113,000 less than budgeted.

Transport

- 5.10 The Transport activity is \$575,000 better than projection due to:
 - 5.10.1 Expenses – other - \$522,000 better than projection, mainly in unsubsidised roading. The most significant underspends in that activity are:
 - Base maintenance (\$64,000) including street/cycleway cleaning and footpath maintenance.
 - \$224,000 underspent relating to UFB remediation and corridor access. Corresponding income is also under projection.
 - \$63,000 underspent year to date in recovery works from the 2011 emergency event relating to Days Track. This work will be carried forward into 2015/16.
 - No expenditure year to date for the southern arterial corridor management plan (\$89,000 - this has been delayed until the findings of the Southern Arterial Investigation – Annesbrook Drive roundabout to QEII Drive roundabout (run by NZTA) are known).

Car parks and meters maintenance costs and lease costs have provided \$66,000 of savings year to date.

Environmental Management

- 5.11 This activity includes Civil Defence and Rural Fire activities, Consents and Compliance, Environmental Programmes, and Solid Waste activities. The Environmental Management activity is \$721,000 better than projection due to:
- 5.11.1 Revenue - \$262,000 less than projection. Landfill fees are \$45,000 less than projection. Internal income in the solid waste group is \$141,000 less than projection and is offset in expenses. Building services revenue is \$79,000 less than projection. Food premises license fees are now \$12,000 better than projection with most of the annual income invoiced in May (timing). \$112,000 year to date income projected for the Clean Heat Warm Homes programme is part of an end of year adjustment (timing).
- 5.11.2 Expenses – staff - \$130,000 better than projection. This is mainly in Building Services which has carried vacancies for much of the year, and which has not been charged staff time from the Resource Consents team to the extent anticipated.
- 5.11.3 Expenses – other - \$846,000 better than projection. Monitoring the Environment is \$204,000 under projection - this sub activity contains a large number of programmes and almost all of this variance is committed with outstanding purchase orders. Expenditure relating to the Nelson plan is currently \$260,000 under projection, however invoices received in June are expected to reduce the full year underspend to no more than \$67,000. Landfill expenditure is \$273,000 under projection reflecting no expenditure yet for Emissions Trading Scheme (ETS) levies and lower internal charges than anticipated from other solid waste sub-activities. Other sub activities in Solid Waste show year to date savings of \$82,000.

Wastewater

- 5.12 The Wastewater activity is \$111,000 better than projection due to:
- 5.12.1 Revenue - \$309,000 less than projected, related to the NRSBU investment return. The distribution from the Regional Sewerage Business Unit (NRSBU) is less than budgeted as input volumes from all five customers are less than anticipated.
- 5.12.2 Expenses – other - \$316,000 less than projection mainly due to lower charges than expected from NRSBU, see 5.11.1.
- 5.12.3 Expenses – Interest - \$143,000 less than projected due to timing of capital expenditure.

Stormwater

- 5.13 The Stormwater activity is \$196,000 better than projection due to:

- 5.13.1 Expenses – staff - \$159,000 better than projection. The distribution of staff time over the organisation differs from anticipated.

Water

- 5.14 The Water activity is \$441,000 better than projection due to:

- 5.14.1 Expenses – other - \$429,000 better than projection relates to year to date underspend against maintenance budgets (\$267,000), mainly in reactive budgets. There are a number of outstanding purchase orders however significant savings against reactive budgets are expected. Base service and operating expenditure show a current underspend of \$173,000 in respect of electricity and insurance costs (savings) and the costs of the meter reading contract.

Flood Protection

- 5.15 The Flood Protection activity is \$167,000 better than projection.

- 5.15.1 Expenses – other - \$99,000 better than projection. This is relating to recovery works. There has been only minor expenditure year to date for these works (identified from the December 2011 Rainfall Event). The projects have now been re-categorised as mitigation (capital) works and will extend into the 2015/16 year.

Capital Expenditure

- 5.16 Capital expenditure to 31 May 2015 was \$25.4 million, \$5.1 million (17%) below projection. Details are included in Attachments 2 to 5.

Balance Sheet

- 5.17 Fourth quarter rates invoicing fell due for payment on 28 May, generating a \$10 million decrease in rates debtors. Cash in excess of that required for operating purposes was used to clear call loan balances, leaving \$810,000 on call deposit.
- 5.17.1 Ratepayers equity has decreased \$4.4m reflecting the allocation to May's income of rates invoiced in April.

6. Projects Update

- 6.1 Please see Attachments 4 and 5 for progress reports on Council's major projects.

7. Rates Rebates

- 7.1 Council administers the rates rebate scheme on behalf of the Department of Internal Affairs. Almost 90% of the rates rebate applications are processed between mid-July and mid-September each year. During this period three additional staff are employed on a temporary basis to carry out the interviews and process the applications. Staff also visit homes

and some rest homes to assist ratepayers who are unable to make it into the Council.

- 7.2 The maximum rebate amount and income threshold are adjusted annually by the rate of inflation therefore reducing the likelihood of the scheme not being utilised due to inflation and increasing incomes.
- 7.3 For the 2014/15 year the maximum rebate was increased from \$595 to \$605 and the income abatement threshold was increased from \$23,870 to \$24,250. The amount of the rebate granted depends on the level of rates and household income as well as number of dependents.
- 7.4 The below table shows the uptake in rates rebates compared to previous rating years.

Rating Year	2014/15	2013/14	2012/13
Number of approved rebate applications	2,007	2,061	2,043
Dollar value of rebates granted	\$1,116,324	\$1,131,120	\$1,125,549
Maximum rates rebate	\$605	\$595	\$590
Income abatement threshold	\$24,250	\$23,870	\$23,650

8. Ridgeways Joint Venture

- 8.1 Ridgeways Joint Venture distributed two amounts of \$100,000 each to Nelson City Council in July and November 2014 after selling a section. It has since become apparent that further funds should have been retained within the Joint Venture for ongoing overheads. The JV requested that the two partners inject \$50,000 each and Council transferred these funds on 30 June 2015.

9. Alignment with relevant Council policy

- 9.1 The finance report is prepared comparing current year performance against the final projection for the 2015 LTP.

10. Assessment of Significance against the Council's Significance and Engagement Policy

- 10.1 There are no significant decisions.

11. Consultation

11.1 No consultation is required.

12. Inclusion of Māori in the decision making process

12.1 No consultation is required.

Tracey Hughes

Senior Accountant

Attachments

Attachment 1: NCC Detail Performancy (A1376070)

Attachment 2: Capital Expenditure Graph (A1376070)

Attachment 3: Capital Expenditure by Activity (A1376070)

Attachment 4: Major Projects Status Report - Delivery at Risk (A1384382)

Attachment 5: Major Projects Status Report - On Track (A1384389)

Attachment 6: Balance Sheet (A1375171)

Attachment 7: Interest Rate Position Report (A1366415)

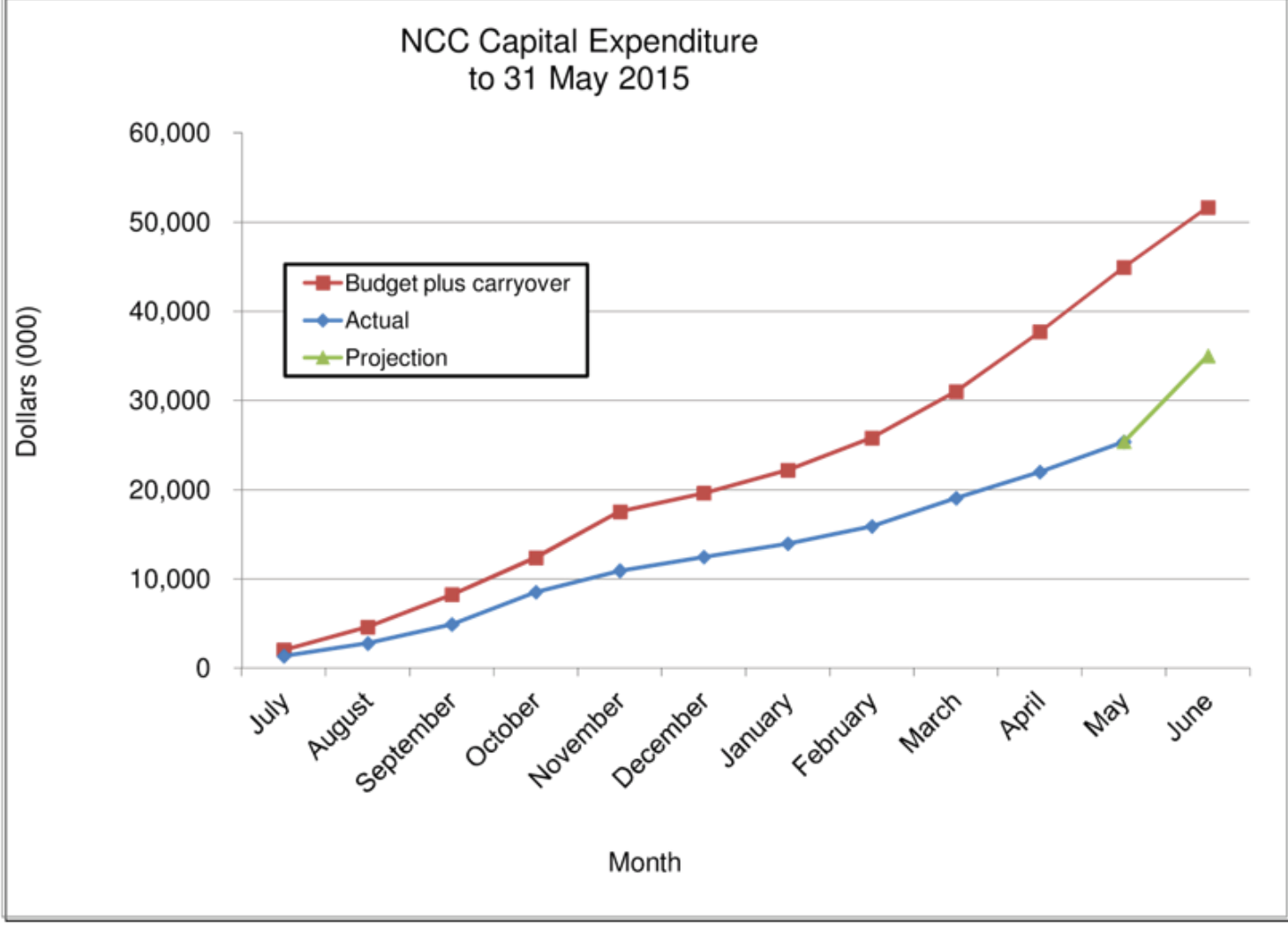
Attachment 8: Debtors Report (A793514)

NCC variance to projection to 31 May 2015

Activity	Subactivity	Year to Date Variance to Projection					
		Surplus (Better)/ Worse	Revenue (Better)/ Worse	Expenses - Staff	Expenses - other	Expenses - Interest	Expenses - Depr
Corporate	Cost Of Democracy	(18,988)	(12,635)	0	(6,353)	0	0
	Admin & Meeting Support	481,157	(226)	516,359	(34,975)	0	0
	Council Publicity	75,211	0	128,016	(52,739)	(67)	(1)
	Members Expenses	(38,327)	(29)	(4,448)	(33,808)	0	(42)
	Election Expenses	(3,605)	0	(3,667)	61	0	0
	Civic Expenses	(18,758)	(156)	862	(19,464)	0	0
	Contingency	(137,500)	0	0	(137,500)	0	0
	Investment Management	292,924	440,557	4,999	(5,536)	(147,096)	0
	Civic House	(117,885)	(15,677)	2,423	(113,801)	9,067	103
	Rental Properties	(62,852)	(60,361)	50,331	(51,332)	(1,402)	(90)
	Forestry	(61,642)	(42,387)	(2,402)	(1,705)	(15,148)	(1)
	Subdivisions (W/Bluff & Ridgeway)	(3,991)	(1,176)	(2,852)	36	0	0
	Policy	(182,063)	0	(281,512)	99,449	0	0
	Administration	(5,295)	0	0	(34,752)	(5,295)	34,752
	Emergency Response Fund	326,086	317,167	(1)	0	8,919	0
Corporate Total		524,471	625,077	408,111	(392,417)	(151,022)	34,723
Parks & Active Recreation	Horticulture Parks	(40,536)	(247)	(17,537)	(16,421)	(509)	(5,823)
	Neighbourhood Parks	(69,248)	(4,817)	(17,644)	(33,937)	(4,646)	(8,206)
	Park Trees	23,065	(72)	331	22,806	0	0
	Conservation Reserves	(19,206)	(1,350)	12,560	(31,493)	(27)	1,105
	Landscape Reserves	21,556	(5,024)	(1,170)	31,087	(2,581)	(755)
	Esplanade & Foreshore Reserves	(152,422)	(43,276)	(42,236)	(42,353)	(18,788)	(5,769)
	Heritage, Landscape, Local Trees	(11,405)	0	(14,802)	3,396	0	0
	Walkways	11,086	(98)	17,910	143	0	(6,870)
	Sports Parks	18,183	(5,907)	(10,605)	47,419	(7,052)	(5,673)
	Recreation Planning	5,050	(365)	(10,211)	15,626	0	0
	Natureland	(140)	(10)	(3,667)	4,167	(630)	0
	Trafalgar Centre	1,869	0	2,651	200	(982)	(1)
	Saxton Field Stadium	27,101	54,686	(15,838)	(22,072)	10,424	(99)
	Saxton Oval Pavilion	(15,474)	(16,196)	(2,750)	4,241	(613)	(156)
	Golf Course	18,078	80,707	(2,554)	(60,075)	0	0
	Pools	(15,464)	22,883	(19,518)	(19,389)	(3,151)	3,710
	Community Programmes	(72,720)	(1,042)	(55,790)	(15,887)	0	0
	Recreation Liaison	(29,319)	0	(30,440)	1,121	0	0
	Play Facilities	(28,906)	0	(7,654)	(10,821)	(315)	(10,116)
	Marina	(103,384)	(21,702)	(17,684)	(51,951)	(7,123)	(4,923)
	Saxton Field Capital Works	(43,944)	46,714	9,443	(79,749)	(11,215)	(9,137)
	Regional Community Facilities	12,187	0	20,586	(23,406)	15,007	0
Parks & Active Recreation Total		(463,993)	104,884	(206,618)	(277,347)	(32,201)	(52,711)
Social	Managing Heritage And Arts	(35,241)	406	(4,198)	(29,177)	(164)	(2,108)
	Museum	1,822	0	358	5,775	(4,311)	0
	Suter Gallery	(37,480)	0	(30,168)	5,003	(12,314)	0
	Isel House	(6,754)	193	(7,864)	918	0	(1)
	Melrose House	1,186	(17)	705	(5,174)	5,934	(262)
	Broadgreen House	(15,323)	(537)	(17,246)	2,729	(381)	113
	Founders Park	112,408	101,568	37,955	(27,999)	4,085	(3,201)
	Historic Cemeteries	(14,815)	(9,840)	3,452	(8,281)	0	(147)
	Heritage Incentives	(8,838)	0	(6,116)	(2,722)	0	0
	Festivals	19,673	(38,122)	40,493	17,301	0	0
	Street Decorations	12,179	0	1,987	10,192	0	0
	School Of Music	75,971	0	2,125	72,793	1,054	0
	Theatre Royal	9,595	0	0	9,595	0	0
	Nelson Library	(17,210)	(1,789)	(19,604)	8,292	(4,021)	(87)
	Stoke Library	(99,076)	842	(92,989)	(7,035)	0	105
	Nightingale Memorial Library	(29,350)	(314)	(23,659)	(5,360)	0	(16)
	Marsden Valley Cemetery	(76,427)	(12,646)	(14,070)	(48,327)	(999)	(384)
	Crematorium	4,028	(4,729)	(12,617)	21,566	(192)	(1)
	Toilets (Free)	(35,802)	(230)	(1,627)	(33,428)	(494)	(24)
	Toilets (Charge)	(25,019)	(1,550)	1,172	(24,578)	(60)	(2)
	Stoke Hall	(25,996)	(1,272)	(9,018)	(15,695)	(12)	0
	Maitai Club	(16,701)	(166)	(6,088)	(10,349)	(100)	0
	Community Properties	1,368	4,158	1,595	(4,435)	65	(15)
	Wakapuaka Recreation Centre	(9,949)	302	(7,292)	(2,960)	0	(1)
	Trafalgar St Hall	(3,808)	(889)	1,980	(4,892)	(7)	0
	Motor Camp Tahuna	(33,713)	(21,460)	48	(12,301)	0	0
	Maitai Camp	(10,941)	11,960	(11,361)	(11,159)	(381)	0

Finance Report - 31May2015 (A1376070).xlsxOpex detail

Activity	Subactivity	Year to Date Variance to Projection					
		Surplus (Better)/ Worse	Revenue (Better)/ Worse	Expenses - Staff	Expenses - other	Expenses - Interest	Expenses - Depr
	Brook Camp	73,392	(3,038)	76,063	15	367	(16)
	Community Housing	38,592	56,644	4,439	(22,489)	0	(2)
	Employment Assistance	(17,917)	(833)	(10,265)	(6,818)	0	(1)
	Community Liaison: Development	(38,724)	(6,476)	(11,520)	(20,761)	0	32
	Community Liaison: Grants (Ca)	(16,421)	0	3,769	(20,351)	162	0
Social Total		(225,291)	72,165	(109,560)	(170,114)	(11,771)	(6,012)
Economic	Sister City Links	(1,509)	(1,249)	1,040	(1,301)	0	0
	Economic Development	(317,948)	0	456	(318,404)	0	0
	Tourism Nelson	0	0	0	0	(1)	0
	Cricket World Cup	133,678	(26,046)	129,070	30,654	0	0
Economic Total		(185,780)	(27,294)	130,566	(289,051)	(1)	0
Transport	Subsidised Roothing	(47,062)	20,974	(73,955)	(10,061)	15,980	0
	Unsubsidised Roothing	(300,918)	131,847	41,451	(435,844)	(38,374)	3
	Roothing Properties	34	(1,694)	(3,080)	5,715	(905)	(2)
	Parking Regulation	(17,133)	(9,049)	(12,172)	4,088	0	(1)
	Car Parking	(78,141)	(13,862)	(30,113)	(50,140)	15,035	939
	Millers Acre Centre	(63,266)	(46,300)	2,651	7,114	(26,696)	(36)
	Public Transport	(62,870)	(58,212)	7,459	(11,182)	(156)	(780)
	Total Mobility	(5,805)	19,244	6,933	(31,794)	(189)	0
Transport Total		(575,162)	42,948	(60,825)	(522,105)	(35,305)	125
Environmental Management	Civil Defence	(1,271)	0	(1,256)	0	(15)	(1)
	Rural Fire Control	(2,092)	(10,258)	673	7,517	(21)	(3)
	Monitoring The Environment	(131,972)	0	72,014	(203,773)	(92)	(122)
	Developing Resource Mgt Plan	(217,975)	(317)	13,233	(230,891)	0	0
	Environmental Advocacy/Advice	58,654	4,966	89,977	(36,289)	0	0
	Pest Management	(10,219)	0	(1)	(10,219)	0	0
	Clean Heat Warm Homes	102,767	111,533	0	(1,230)	(7,536)	0
	Solar Saver	4,178	0	0	338	3,840	0
	Dog Control	(1,433)	2,354	(4,978)	1,339	0	(147)
	Animal Control	297	(76)	(1)	374	0	0
	Liquor Licencing	(10,796)	(12,662)	1,655	210	0	0
	Food Premises	(11,782)	(11,757)	0	(25)	0	0
	Public Counter Land & General	(25,339)	(20,074)	(6,897)	1,632	0	0
	Building Services	(190,203)	63,803	(238,822)	(14,532)	0	(652)
	Harbour Safety	6,116	(256)	(281)	7,353	0	(700)
	Pollution Response	(709)	(1,804)	508	588	0	0
	Resource Consents	(54,906)	(47,766)	15,659	(22,799)	0	0
	Enforcing Bylaws	(5,743)	(2,282)	(3,667)	206	0	0
	Whrs Claims	(15,928)	0	(27,436)	11,508	0	0
	Waste Minimisation	(1)	109,220	(61,913)	(47,308)	0	0
	Transfer Station	0	24,532	11,266	(35,592)	0	(206)
	Landfill	(212,598)	45,705	15,069	(273,371)	0	(1)
	Joint Landfill	297	0	297	0	0	0
	Green Waste	1	1,783	(1,321)	(461)	0	0
	Recycling	0	5,033	(4,071)	(962)	0	0
Environmental Management Total		(720,657)	261,677	(130,293)	(846,388)	(3,824)	(1,830)
Wastewater	Wastewater	(111,022)	309,439	(21,082)	(315,615)	(143,006)	59,242
Wastewater Total		(111,022)	309,439	(21,082)	(315,615)	(143,006)	59,242
Stormwater	Stormwater	(196,017)	(5,000)	(158,661)	2,860	(35,183)	(32)
Stormwater Total		(196,017)	(5,000)	(158,661)	2,860	(35,183)	(32)
Water Supply	Water Supply	(440,845)	7,105	(25,008)	(429,064)	(26,200)	32,322
Water Supply Total		(440,845)	7,105	(25,008)	(429,064)	(26,200)	32,322
Flood Protection	Flood Protection	(167,082)	0	(7,505)	(99,326)	(64,220)	3,967
Flood Protection Total		(167,082)	0	(7,505)	(99,326)	(64,220)	3,967
Total		(2,561,379)	1,391,001	(180,875)	(3,338,565)	(502,732)	69,792



Capital Expenditure				
Total Council - by Activity				
Activity	Actual YTD \$(000)	Projection YTD \$(000)	Variance YTD \$(000)	Full Year Projection \$(000)
Corporate	924	1,093	-169	1,256
Parks & Active Recreation	4,061	5,460	-1,399	6,276
Social	2,677	3,368	-691	3,871
Economic	0	0	0	0
Transport	7,850	8,432	-583	9,692
Environmental Management	1,108	910	197	1,046
Wastewater	3,462	4,764	-1,302	5,476
Stormwater	1,441	1,837	-396	2,112
Water Supply	2,712	3,095	-383	3,558
Flood Protection	1,159	1,517	-358	1,744
	25,393	30,477	-5,084	35,031
Vested Assets	2,610	2,610	0	3,000
Nelson Regional Sewerage BU	190	312	-123	359
	28,192	33,400	-5,207	38,390

Major Projects Status Report - Delivery at Risk

Green = on track against baseline, no major issues or risks. >90% confident in delivery against plan.

Yellow = moderate issues &/or risks exist but are manageable. 50 to 90% confident in delivery against plan.

Red = high or extreme issues &/or risks requiring corrective action(s). Less than 50% confident in delivery against plan.

Status vs current year plan								
Project/ Programme Name	Project Definition	Next Milestone	Milestone expected completion	budget	Time	Budget	Scope/ Benefits	Issues & Risks Reasons
Saxton Creek upgrade	Upgrade stream channel and undertake associated landscaping.	Construction of stage 1 to begin	Jul-15	2,500,000	R	Y	G	NCC have engaged TDC's Contractor to construct the gravel trap and related works associated with Champion Road culvert (Stage 1). Stage 2 requires landowner consultation. Stages 3 is on track.
Maitai shared path (Collingwood St to Nile St)	Widening of existing path to allow shared use. Includes associated landscaping and planting.	Council to confirm wider approach to shared paths	Nov-15	705,000	R	R	R	Project on hold. Awaiting Council decision. Carry over required.
Bishopdale to the Ridgeway shared path	Construct shared path to tie in with sewer upgrade works in Beatson Road.	Construction finished on-site	Aug-15	600,000	R	G	G	Site work is on track. Project initially delayed due to late approval of NZTA funding. Carry over required.
Whakatu Drive / Beatson Road	Widen existing path at roundabout to remove pinch point. Works to tie in with sewer upgrade in Beatson Road.	Construction finished on-site	Aug-15	100,000	R	G	G	Site work is on track. Project initially delayed due to late approval of NZTA funding. Carry over required.
Beatson Road Sewer Renewal	Upgrade of sewer main in Beatson Road, to be combined with new cycleway construction.	Construction finished on-site	Aug-15	325,000	R	G	G	This project is linked with the Whakatu Drive / Beatson Road project for delivery efficiency. Site work is on track. Project initially delayed due to late approval of NZTA funding for associated project. Carry over required.
Orphanage Stream upgrade	Investigate options for increasing capacity of bridges and culverts plus channel break out points from Ngawhatu Valley to Whakatu Drive	Advertise tender for Stage 1	Jul-15	538,047	R	Y	Y	Project spans multiple financial years. Consent received for Saxton Culvert. Consent lodged for Saxton Field and Saxton Road bunding. Carry over from 14/15 required.
York Valley Landfill weighbridge	Procurement and construction of new weighbridge at York Valley Landfill.	Advertise tender	Jul-15	450,000	R	G	G	Delays have resulted from initial procurement phase as no tenders were received and tenders readvertised. Tender method has been revised. Carry over required.

10. Corporate Report to 31 May 2015 - Attachment 4 - Major Projects Status Report - Delivery at Risk (A1384382)

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Major Projects Status Report - Delivery at Risk

Project/ Programme Name	Project Definition	Next Milestone	Milestone expected completion	budget	Time	Budget	Scope/ Benefits	Issues & Risks Reasons
Saltwater Creek Culvert Upgrade	Design and construct new box culvert adjacent to ANZAC Park.	Complete Construction	Jul-15	850,000	R	G	G	Delays have resulted following Contactor initiated methodology change which has contributed to significant savings in excess of \$200k. Minimal carry over required.
The Brook Area Cycling and Walking Improvements	Upgrade of cycle connections between the Maitai Walkway and Brook Street. Linked to Tasman Street Upgrade.	Construction finished on-site	Aug-15	70,000	R	R	R	Project initially delayed due to issues surrounding concept of shared paths. Scope has been reduced significantly. Carry over required.
Tasman St upgrade(Nile to Bronte)	Road upgrade and Stormwater Upgrade undertaken in conjunction with Manuka Street Intersection Upgrade and Brook walk/cycle connections.	Construction finished on-site	Aug-15	987,000	R	Y	G	Project delayed due to unforeseen issues relating to historic Council and Chorus services. Carry over required.
Stanley/Beachville stormwater	Upgrade stormwater discharge to Nelson end of Stanley Cresc.	Advertise tender	Aug-15	288,238	R	G	G	Land easement negotiations have been completed. Construction to be programmed in 15/16 financial year.
Bridge St enhancement	Enhance urban environment through lighting, seating and landscape aesthetics. Work includes under veranda lighting along Bridge St and lighting along Alma and Fiddler Lane.	Finalise design for Fiddle Lane	Aug-15	223,000	Y	G	G	Council have agreed way forward. Scope has been defined. Currently working with stakeholders to complete design for Fiddle Lane.
Railway Reserve to CBD cycleway via St Vincent (Stage II)	Two way separated cycle lanes along the eastern side of St Vincent Street, from Gloucester St to Haven Rd.	Achieve land owner agreement	Jul-15	54,475	R	Y	G	Land agreement being signed. Project delayed due to protracted negotiations. Carry over required.
Flood mitigation - Gravel Traps & Intake Structures	Construction of gravel traps and upgrading intake structures in Poormans and Orphanage Streams	Consent approval	Aug-15	468,000	R	Y	Y	Significant delays due to issues surrounding resource consents. Issues and processes have since been resolved.
St. Vincent to CBD cycle connection	Shared path through ANZAC Park	Council to confirm wider approach to shared paths	Nov-15	224,767	R	R	R	Project on hold. Awaiting Council decision. Carry over required.
Saxton Cycle Track (Regional Velodrome)	Design and build a 330m outdoor cycling velodrome. This is a TDC lead project.	Stage 1 Construction to be completed.	Feb-16	827,020	Y	G	G	Contractor has requested extension of construction programme.

M1365

Major Projects Status Report - Delivery at Risk

Project/ Programme Name	Project Definition	Next Milestone	Milestone expected completion	budget	Time	Budget	Scope/ Benefits	Issues & Risks Reasons
Corder Park Sewer Pump Station Upgrade	Construction of new pump station at Corder Park including a section of Atawhai rising main replacement. Replaces existing pump station and pushes out need to replace sections of Atawhai rising main.	Construction finished on-site	Mar-16	3,603,179	Y	G	G	Project spans two financial years. Extent of carry over has increased due to adjustments to programme. Project still on target for March completion.
Marina maintenance dredging	Dredging of Marina in accordance with port dredging Resource Consent.	Appoint Contractor	Aug-15	212,530	Y	Y	Y	Funding spans two financial years. Dredging to be undertaken in 15/16 financial year to coincide with Port Nelson dredging programme.

Major Projects Status Report - On Track

Project/ Programme Name	Project Definition	budget	Next Milestone	Milestone expected completion	Project Health
Suter upgrade	Upgrade of Gallery.	2,700,000	Construction finished on-site	Apr-16	G
Earthquake Prone Buildings Remediation	Physical work to bring buildings up to standard required. Project include Founders Duncan House/ Granary and Melrose House.	419,000	W&I Committee to confirm priority list of EQP buildings	Jul-30	G
WTP membranes - New train	Involves the addition of an additional filtration membrane, called 'Train 5'. To improve the treatment plants resilience and capacity.	1,200,000	Construction finished on-site	Jun-16	G
Ngawhatu Valley Sewer Trunk Main	Upgrade existing reticulation between Ngawhatu and Main Road Stoke to allow for future development in the upper Ngawhatu Valley. Works straddle two financial years.	836,000	Construction finished on-site	Jul-15	G
Trafalgar Centre Reopening	Investigate options & implement measures to allow reopening & safe public use of the Centre.	465,747	Detailed Design complete	Jun-15	G
NSOM upgrade	Strengthen auditorium, finalise and implement refurbishment brief.	150,000	Detailed Design complete	Sep-15	G
Modellers Pond Solution	Improve Water quality and amenity of pond.	143,376	Construction finished on-site	May-16	G

Major Projects Status Report - On Track

Completed Projects		14/15 budget	14/15 spend	Over/ (Under) Budget
Maitai Walkway (Akerston St to Traf St)	upgrade of walkway along Maitai from Traf St to Akersten - includes Trafalgar Street crossing	736,886	730,480	-6,406
Arapiki Trunk / Express Sewer (Stage 2&3)	Redirection of Arapiki sewer catchment flows to Songer St pump station to avoid issues with Quarantine Rd pump station. Nayland Road to Ridgeway link stages.	970,484	937,533	-32,951
York Valley Road extension	Extension of access road to reach future landfill working areas.	740,000	749,388	9,388
Cable Bay Rd Recovery	Work required to reinstate road to required service level post Dec-2011 emergency event	2,110,581	1,863,451	-247,130

Additional Major Projects - progress reported to Council through a separate mechanism

Stoke sports & community facility	New sports and community facility in Stoke
Rocks Rd cycling and walking project	Development of walking and cycling solution along Rocks Road.

Nelson City Council

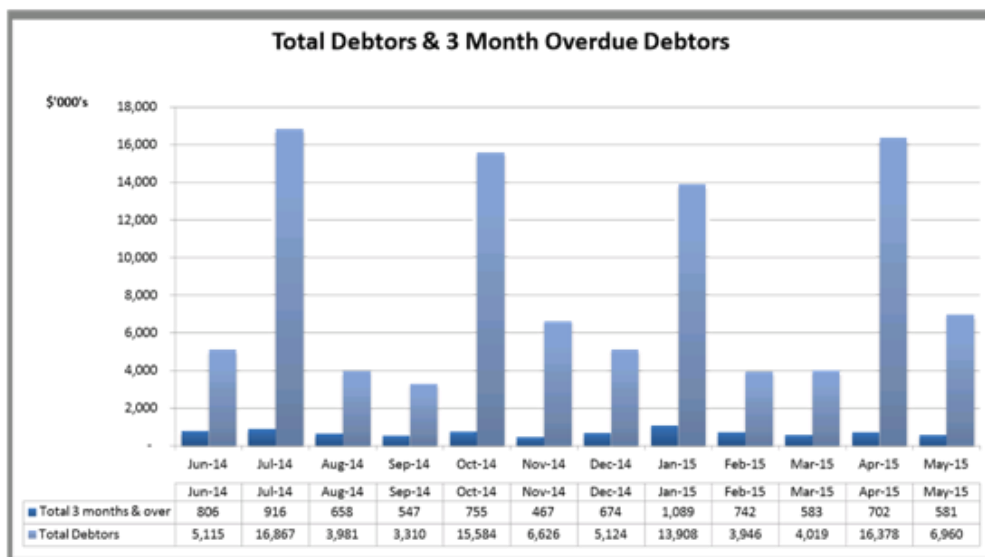
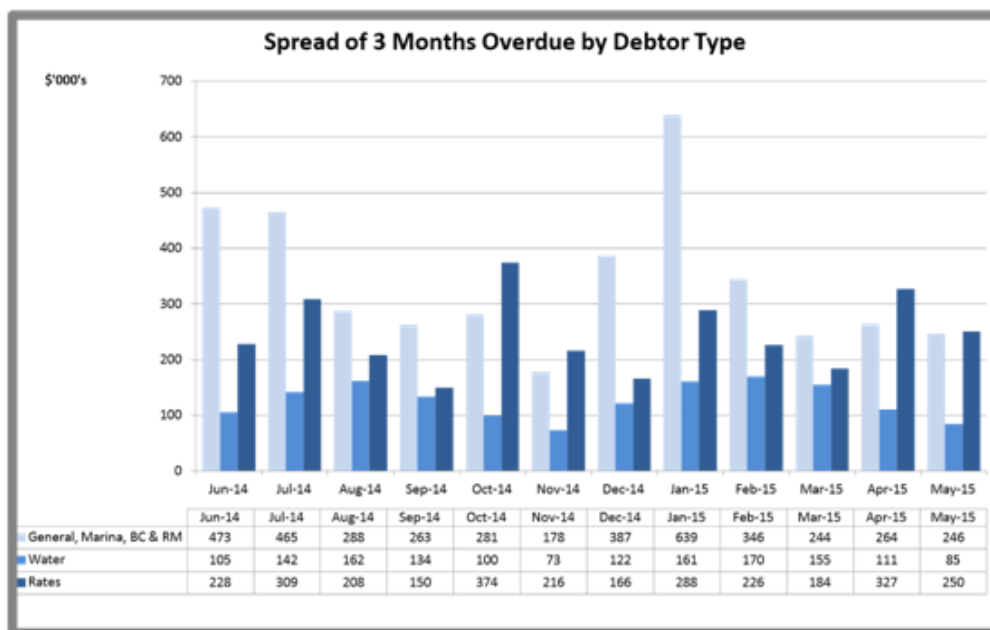
Abbreviated Balance Sheet

		31/05/2015	30/04/2015	30/06/2014
Current Assets				
Bank Deposits	Cash and Bank	233,027	418,051	251,853
	Investments	810,000	0	0
Amounts due from customers.	Rates Debtors	1,663,946	11,668,078	242,652
	Trade Debtors	9,287,033	8,963,027	11,065,794
	Debtors and Accruals	1,852,755	2,150,046	905,367
		<u>13,846,761</u>	<u>23,199,201</u>	<u>12,465,666</u>
Current Liabilities				
Cash Book Balance	Bank Overdraft	0	0	0
Amounts owed to suppliers.	Creditors	(11,054,227)	(10,046,688)	(15,062,273)
	Commercial paper	(9,905,905)	(9,905,905)	(29,730,802)
Term Loans to be paid in 12 months	Current Portion of Term Liabilities	0	(4,900,000)	0
		<u>(20,960,132)</u>	<u>(24,852,593)</u>	<u>(44,793,075)</u>
	Net Working Capital	(7,113,371)	(1,653,392)	(32,327,409)
Non Current Assets				
Shares in Subsidiaries etc	Investments	27,225,227	27,228,366	27,560,115
	NRSBU Term Advance	8,000,000	8,000,000	0
Total value, net of depreciation of all	Fixed Assets	<u>1,321,353,906</u>	<u>1,319,924,092</u>	<u>1,317,869,256</u>
		<u>1,356,579,133</u>	<u>1,355,152,458</u>	<u>1,345,429,371</u>
Non Current Liabilities				
	Term borrowings	(60,286,016)	(60,286,016)	(33,536,016)
Money borrowed that requires payment after 12 months	Other Term Liabilities	(1,648,385)	(1,638,391)	(1,557,261)
		<u>(61,934,401)</u>	<u>(61,924,407)</u>	<u>(35,093,277)</u>
		<u>1,287,531,361</u>	<u>1,291,574,660</u>	<u>1,278,008,684</u>
Shareholder Funds				
	Ratepayers Equity	361,874,524	366,264,076	352,654,845
	Reserves	<u>925,656,837</u>	<u>925,310,583</u>	<u>925,353,839</u>
		<u>1,287,531,361</u>	<u>1,291,574,660</u>	<u>1,278,008,684</u>

Balance Sheet May 2015 (A1375171).xls

Nelson City Council Interest Rate Position			
12 Month Forecast Core Debt:		100.0	31-May-15
Policy Limits	55% - 90%		
Overall Fixed:Floating Mix	80%		
Policy Compliance	Y		
Liquidity Ratio:		110%	
Actual	133%		
Policy Compliance	Y		
Fixed Rate Maturity Profile:			
Years	1 - 3 years	3 - 5 years	5 years plus
Policy Limits	15% - 60%	15% - 60%	15% - 60%
Actual Hedging	23%	26%	51%
Policy Compliance	Y	Y	Y
Funding Maturity Profile:			
Years	0 - 3 years	3 - 5 years	5 years plus
Policy Limits	15% - 60%	15% - 60%	10% - 40%
Actual Hedging	37%	32%	31%
Policy Compliance	Y	Y	Y
Weighted Average Duration:			
Funding	3.84 Years		
Fixed Rate Portfolio (swaps and fixed rate loans)	5.46 Years		
Weighted average fixed rate on current borrower swaps*:			
Swap Portfolio	4.38%	* Note: non-active forward starts are not included.	
Counterparty Credit Risk (Interest Rate Risk Mgmt Instruments and investments)			
Policy Credit Limit (NZ\$) per NZ Registered Bank (Interest rate risk management)		\$	10,000,000
Policy Credit Limit (NZ\$) per NZ Registered Bank (Investments)		\$	10,000,000
Policy Credit Limit (NZ\$) per NZ Registered Bank (Total maximum per counterparty)		\$	20,000,000
	Credit Exposure	Credit Exposure	Compliance
	(Swaps)	(Investments)	
	(\$m)	(\$m)	
WPC	6.04	0.00	Y
ANZ	6.83	0.00	Y
ASB	0.00	0.00	Y
BNZ	0.45	0.00	Y
Kiwibank	0.00	0.00	Y
CBA	0.00	0.00	Y

Specific borrowing limits		
Net interest expense on external debt as a percentage of total revenue to be less than 15%	2.56%	Y
Net interest expense on external debt (secured by rates) as a percentage of rates revenue to be less than 20%	4.09%	Y
Net external debt (secured by rates) as a percentage of total revenue to be less than 150%	71%	Y
Net external debt (secured by rates) as a percentage of equity to be less than 20%	5%	Y



Rates Remissions for 2014/15

1. Purpose of Report

- 1.1 To update the Audit, Risk and Finance subcommittee on the Rates remissions for 2014/15.

2. Delegations

- 2.1 The Audit, Risk and Finance subcommittee has responsibility for management of financial risk.

3. Recommendation

THAT the report Rates Remissions for 2014/15 (R4204) and its attachments (A1383906 and A1222068) be received.

4. Background

- 4.1 Council has a number of rates remission policies which are consulted on through the Long Term Plan. The policies approved through the Long Term Plan 2015-25 are included as Attachment 1.

5. Discussion

- 5.1 The remission policies approved through the Long Term Plan 2015-25 have not changed materially from the policies applicable to the 2014/15 rating year. There were some wording changes to the remission of rates for underground utilities and remission of charges for excess water arising from leaks.
- 5.2 Rates remissions for 2014/15 were \$402,744 compared with \$409,548 in 2013/14 (excluding GST).
- 5.3 Attachment 2 shows the detail of the rates remissions given for Community, sporting and other organisations and a summary of other remissions. The remission policies are delegated to officers to administer.
- 5.4 Because the rates remissions are a budgeted expense, the general rates and water rates collected are increased to cover the expected level of remissions.

Rates remissions	2014/15	2013/14
Community sporting and other organisations	72,411	76,756
Golf greens	4,923	5,244
Rates penalties	38,000	48,000
Res properties in commercial areas	9,000	9,000
Excess water credits - residential	102,419	95,070
Excess water credits - commercial	18,789	4,478
Conservation land	314	0
Cemeteries	26,259	24,000
Low value properties	1,030	1,000
Heritage	65,941	64,000
Clean heat warm homes	53,658	54,000
Dependent relative	1,377	1,000
Natural calamity	8,623	27,000
Total	\$402,744	\$409,548

6. Options

- 6.1 The recommendation is to receive the report.

7. Alignment with relevant Council policy

- 7.1 This recommendation is not inconsistent with any previous Council decision.

8. Assessment of Significance against the Council's Significance and Engagement Policy

- 8.1 This is not a significant decision.

9. Consultation

- 9.1 No consultation has occurred in preparation of this report.

10. Inclusion of Māori in the decision making process

10.1 No consultation with Maori has occurred in preparation of this report.

Theo Aitken
Rates Officer

Attachments

Attachment 1: A1383906 - Rates remission policy - extract from LTP2015-25

Attachment 2: A1222068 - 2014/15 Rates remissions

Rates remission policy

Introduction

Council is required to adopt a rating remission policy as set out in Section 85 of the Local Government (Rating) Act 2002. Nelson City Council has decided to remit all or part of the rates on properties covered by this Remission Policy.

General provisions for the remission of rates

The policy shall apply to such ratepayers and organisations as approved by Council by meeting the relevant criteria. Council may delegate the power to approve rates remission to Council Officers under Section 132 of the Local Government (Rating) Act 2002.

Any ratepayer granted rates remission is required to meet all remaining and applicable rates in full that are owed in addition to the amount eligible for the rates remission.

Rates remission will be provided for the following categories of rating units or under the following circumstances:

Rates remission for community, sporting and other organisations

Objective

The remission of rates for community, sporting and other organisations is to facilitate the ongoing provision of non-commercial community services and non-commercial recreational opportunities.

The purpose of granting rates remission to an organisation is to:

- Recognise the public good contribution to community wellbeing made by such organisations
- Assist the organisation's survival
- Make membership of the organisation more accessible to the general public, particularly disadvantaged groups including children, youth, young families, aged people and economically disadvantaged people.

Conditions and criteria

Council supports applications for financial assistance by any organisation not conducted for private profit. The principal object of the organisation should be to promote the development of Nelson city and provide for at least one of the following: the public, recreation, health, enjoyment, instruction, sport or any form of culture, or for the improving or developing of amenities, where the provisions of any one of these areas is to the benefit of the City.

An organisation making an application should include the following information in support of its application:

- Evidence that other areas of assistance have been investigated if available
- That there is a need for assistance
- That there has been a reasonable effort made to meet the need by the organisation itself

- The organisation's most recent financial accounts.

Procedure

An application for remission will apply for a maximum of three years and all applications will expire on 30 June following the revaluation of all properties in the city. A new application must be made if continued assistance is required.

Application is to be made by 16 June in any year, for rating relief for the year commencing 1 July, but will expire as detailed above.

Each application will be considered by Council on its merits, and provision of a remission in any year does not set a precedent for similar remissions in any future year.

Remission is granted only in respect of those parts of the rates that are based on land value. The remission is 50% of the rates payable.

Rates remissions will be made by passing a credit to the applicant's rates assessment.

No rates remission under this policy will be available to an organization that is in receipt of a mandatory rate remission.

Remission of penalties

Objective

The objective of the remission policy is to enable Council to act fairly and reasonably in its consideration of rates that have not been received by Council by the penalty date, due to circumstances outside the ratepayer's control. Remission will be made when any of the following criteria applies:

Conditions and criteria

- Where there exists a history of regular punctual payment over the previous 12 months and payment is made within a reasonable time of the ratepayer being made aware of the non-payment
- When the rates instalment was issued in the name of a previous property owner
- On compassionate grounds, i.e. where a ratepayer has been ill or in hospital or suffered a family bereavement or tragedy of some type and has been unable to attend to payment
- Where it can be proved that the rate account was not received and a genuine cause exists
- Automatic remission of the penalties incurred on instalment one will be made where the ratepayer pays the total amount due for the year on or before the penalty date of the second instalment
- Where full payment of arrears of rates is made in accordance with an agreed repayment programme
- Where an error has been made on the part of Council staff or arising through error in the general processing which has subsequently resulted in a penalty charge being imposed.

In implementing this policy, the circumstances of each case will be taken into consideration on their individual merits and will be conditional upon the full amount of such rates due having being paid.

Decisions on remission of penalties are delegated to officers as set out in Council's delegations register.

Rates remission for Residential Properties in Commercial/Industrial Areas

Objective

To ensure that owners of residential rating units situated in non-residential areas are not unduly penalised by the zoning decisions of this Council.

Conditions and criteria

To qualify for remission under this part of the policy the rating unit must be:

- Situated within an area of land that has been zoned for commercial or industrial use
- Listed as a 'residential' property for differential rating purposes.

Rates remission on land protected for natural, historical or cultural conservation purposes

Objective

Rates remission is provided to preserve and promote natural resources and heritage by encouraging the protection of land held for natural, historical or cultural purposes.

Conditions and criteria

Ratepayers who own rating units that have some feature of cultural, natural or historical heritage that is voluntarily protected may qualify for remission of rates under this policy.

Land that is non-rateable under section 8 of the Local Government (Rating) Act, and is liable only for rates for water supply or sewage disposal will not qualify for remission under this part of the policy.

Applications must be made in writing and be supported by documented evidence of the protected status of the rating unit, for example a copy of the covenant or other legal mechanism.

In considering any application for remission of rates under this part of the policy, Council will consider the following criteria:

- The extent to which the preservation of natural heritage will be promoted by granting remission on rates on the rating unit
- The degree to which features of natural heritage are present on the land
- The degree to which features of natural heritage inhibit the economic use of the land
- The use of the property.

In granting remissions under this policy, Council may specify certain conditions before remission will be granted. Applicants will be required to agree in writing to these conditions and to pay any remitted rates if the conditions are violated.

Rates remission for heritage buildings

Objective

Rates remission is provided to assist with the preservation of Nelson's heritage by encouraging the maintenance of historic buildings. Provision of a rates remission recognises that there are private costs incurred for public benefit.

Conditions and criteria

Ratepayers who have buildings with a heritage classification may apply for a rates remission of up to 50% for Category A buildings and up to 25% for Category B buildings, providing the following conditions are met:

- Buildings must be listed in Appendix 1 of the Nelson Resource Management Plan as Category A or Category B buildings
- The property must not be owned by Council or the Crown, or their agencies
- Building owners will need to make a commitment to ongoing maintenance of their building.

Council reserves discretion in awarding full remissions in some circumstances.

Remission of charges for excess water arising from leaks

Credits for excess water charges arising from the following will always be processed:

- Misreading of the meter or faulty meter
- Errors in data processing
- The meter was assigned to the wrong account
- Leak on a Council fitting adversely impacting on the metered usage.

Other Conditions and Criteria include:

- Leaks from pipes or fittings on farms²², commercial, industrial properties and unoccupied²³ properties (regardless of temporary or long term) or reserves or from irrigation, stock water, swimming pools, ponds, landscaping or similar systems on occupied properties. No credit.
- Leaks from pipes that are, or should be visible, such as header tanks, overflows from toilets, above ground pipes or fittings and those attached to raised flooring or in walls or ceilings. No credit.
- Where the leak is a previously unknown underground leak on the main lateral between the water meter and a residential dwelling or under the concrete floor of a residential dwelling. The lost water is credited where the leak has been repaired with due diligence. Only one leak per property, and maximum two consecutive

²² For the purpose of assessing credits for excess water arising from leaks "farm" is defined as any property that is or can be used for the growing of crops, including trees or rearing of livestock, with a land area greater than 5000 square metres

²³ Unoccupied is taken to mean where there is no permanent building on the property or where the building is not occupied for more than seven days.

water supply invoices covering the leak, per five year rolling timeframe, will be credited. Credit will be based on Council's assessment of the property owner's usual usage for the period.

- Due diligence is defined as within two weeks of the earliest of the following:
 - - The date of the first invoice to identify a higher than usual²⁴ usage; or
 - - The date of discovery or when it could have reasonably been discovered
- The leak must be repaired by a Licensed or Certifying plumber who provides a brief report on the leak, where on the line the leak was found, dates and an opinion, as to how long the leak had been occurring.
- In extraordinary circumstances which fall outside the criteria above, a remission may be granted at the sole discretion of Council's Group Manager Corporate Services. This may apply where a water credit remission application has been declined, and where this could lead to cases of genuine financial hardship for the owner/occupier, or where timely detection of a leak could not have reasonably occurred.

Remission of rates for cemeteries

The provisions of the Local Government (Rating) Act 2002 state that a cemetery is non-rateable if it does not exceed two hectares. Therefore, a remission policy is required if Council wishes to remit rates on a cemetery greater than two hectares.

Objective

To provide a measure of relief, by way of remission, to enable Council to provide a cemetery greater than two hectares.

Conditions and criteria

- A cemetery that is Council-owned and is solely used as a cemetery.

Remission of rates on golf practice greens

Objective

To provide a measure of relief, by way of remission of rates, to enable Council to act fairly and reasonably in its consideration of rates charged on golf practice greens.

Conditions and criteria

- Land that is leased and used as a golf 'practice green'.

Remission of rates for underground utilities

Objective

To provide a measure of relief, by way of remission, to enable Council to act fairly and reasonably when rating utility companies that put utilities under the ground.

²⁴ Usual being the amount used in the same period as last year. These amounts are shown on every water account.

Conditions and criteria

Where utilities are put underground to the benefit of Council and ratepayers, Council will remit the portion of extra rates arising from the additional value of the reticulation; compared with the valuation that would have applied to overhead services.

This policy is subject to:

- Undergrounding carried out after 1 July 2002 and recorded in a programme of works agreed to by both Nelson City Council and network utility operators
- The agreed programme of works allows for undergrounding network utility lines in conjunction with upgrading of streets to be undertaken in any year.

Remission on Rates on low valued properties

The Local Government (Rating) Act 2002 requires each separate property title to have a separate valuation and rating assessment. This has resulted in many low land value assessments being created for small parcels of land.

Conditions and criteria

- Assessments with common ownership, used jointly as a single unit and for which only one uniform annual general charge is payable
- Assessments with a land value of \$4,000 or less.

Remission of clean heat warm homes targeted rate**Objective**

To provide a measure of relief, by way of remission, to assist those people on low incomes who are required to convert to a clean heat source.

Council recognises that some homeowners on very low incomes might have difficulty meeting the rates payments under the Clean Heat Warm Homes targeted rate scheme.

Conditions and criteria

Ratepayers who take up the Clean Heat Warm Homes targeted rates assistance and who qualify for the Government's rates rebate scheme may qualify for a remission on repayment of the targeted 'Clean Heat Warm Homes' rate.

Eligibility for the rate rebate scheme is assessed annually.

Rates remission for land affected by natural calamity**Objective of the Policy**

The objective of this Rates Remission Policy is to permit Council, at its discretion, to remit part or whole of the rates charged on any land that has been detrimentally affected by natural calamity, such as erosion, subsidence, submersion or earthquake, and is aimed at aiding those ratepayers most adversely affected.

Conditions and Criteria

Council may remit wholly, or in part, any rate or charge made and levied in respect of the land, if:

1. Land is detrimentally affected by natural calamity such as erosion, subsidence, submersion or earthquake and:
 - as a result dwellings or buildings previously habitable were made uninhabitable²⁵; or
 - the activity for which the land and/or buildings were used prior to the calamity is unable to be undertaken or continued.
2. The remission may be for such period of time as Council considers reasonable, commencing from the date upon which Council determines that the dwelling, buildings or land were made uninhabitable or unable to be used for the activity for which they were used prior to the calamity, up to and limited to the time that the land and/or buildings are deemed by Council to be able to become habitable or available for use.
3. In determining whether or not a property is uninhabitable and the period of time for which the rates remission is to apply, Council may take into account:
 - whether essential services such as water, sewerage or refuse collection to any dwelling or building are able to be provided; and
 - whether any part of the building or land remains habitable or available for use.
4. Rates remission will not apply to any part of a rate that is levied as a user pays charge.
5. Rates remissions will only be considered following the receipt of an application by the ratepayer and the application must be received within six months of the event, or within such further time as Council in its sole discretion might allow.

Application

Each natural calamity event will be considered for rates remission on a case by case basis by Council.

The extent of any remission shall be determined by Council or its delegated officer(s).

Policy on remission and postponement of rates on Māori freehold land

A decision on whether to provide general rating relief through remission or postponement on Māori freehold land will be made by Council on a case by case basis.

Remission of rates for households with dependant relatives housed in an additional unit

Objective

To provide financial relief for households where a dependant adult relative is housed in an additional unit, so they are not unfairly burdened by the payment of rates on the second unit.

²⁵ For the purposes of this policy 'uninhabitable' shall mean a building cannot be used for the purpose it was intended due to s124 notice conditions being issued under the Building Act 2004

Conditions and criteria

To qualify for remission under this part of the policy, the second unit must be continuously occupied by the dependant relative, and:

- The ratepayer must apply to the Council for remission of rates on the second unit
- The applicant must confirm that the relative is dependant on the ratepayer
- If the unit is no longer occupied by the dependant relative, the householder must inform the Council within three months. Any change would apply from 1 July for the next rating year.
- The rates remission is for one year, at which time the ratepayer must re-apply for the remission of rates on the second unit.

Providing these conditions and criteria are met by the applicant, the uniform charges for wastewater and the uniform annual general charge will not be charged against the second unit.

Rates postponement policy**Objective**

The objective of the postponement policy is to enable Council to provide older ratepayers with more options and flexibility. It lets older ratepayers decide how best to manage their finances and also gives older ratepayers the opportunity to stay in their houses for longer.

Conditions and criteria

- Ratepayers must be over 65 (or over 60 if on a benefit)
- No income testing
- Must have independent advice
- Can postpone all or part of the rates
- Initial application fee \$400
- Interest charged six monthly at Council's marginal rate (the current cost to Council of borrowing the required funds) plus 1% for administration and 0.25% to a risk reserve
- Debt cannot increase over 80% of the equity in the property
- The property must be insured
- The property must be the prime residence of the ratepayer and owner occupied.

Repayment is the earlier of:

- Sale of the property, or
- Death of the ratepayer (or surviving ratepayer where there is a couple).

Remission Policy	Ratepayer Name	Remission GST Excl 2014/15
Cemetery	Nelson City Council	7,012.09
Cemetery	Nelson City Council	19,246.96
Clean Heat Warm Homes	Various	53,444.78
Heritage Remission/Clean Heat Warm Home		213.30
Community, Sporting Etc	Stoke Bowling Club	5,292.52
Community, Sporting Etc	Richmond New Zealand Trust	563.83
Community, Sporting Etc	Nelson Golf Club - Inc-	33,164.52
Community, Sporting Etc	Ray Win Collection Community Trust	1,718.43
Community, Sporting Etc	YMCA Nelson Inc	1,031.04
Community, Sporting Etc	YMCA Nelson Inc	373.22
Community, Sporting Etc	YMCA Nelson Inc	1,718.43
Community, Sporting Etc	YMCA Nelson Inc	257.74
Community, Sporting Etc	Nelson Contract Bridge Club Inc	3,642.96
Community, Sporting Etc	Nelson Bowling Club Inc	4,880.17
Community, Sporting Etc	Southern Star Lodge	2,646.35
Community, Sporting Etc	Club Italia Nelson Inc	1,890.26
Community, Sporting Etc	Tasman Bay Cruising Club	2,783.83
Dec 2011 Weather Event	Various	8,622.61
Dependant Relative		688.52
Dependant Relative		688.52
Golf Green	Nelson Airport Ltd	4,921.91
Heritage Remission	Various	65,779.91
Heritage Remission/Clean Heat Warm Home		161.04
Land Conservation		314.17
Low Valued Property	Various	1,030.17
Residential in Commercial	Various	9,000.35
Social	Abbeyfield Nelson Inc	1,374.70
Social	Abbeyfield Partnership Ltd	2,611.91
Social	St Vincent De Paul Society Trust	1,615.22
Social	Hearing Association Nelson Incorporated	2,268.26
Social	Lifeline (Nelson) Inc	281.91
Social	NZ CCS Nelson Inc	2,199.57
Social	Nelson Women's Support Incorporated	2,096.43
Excess water credits - residential and commercial	Various	121,208.00
Rates penalties	Various	38,000.00
		402,743.65

Insurance Renewal for 2015/16

1. Purpose of Report

- 1.1 To update the Committee on the 2015/16 insurance renewal.

2. Delegations

- 2.1 The Audit, Risk and Finance committee has responsibility for risk management.

3. Recommendation

THAT the report Insurance Renewal for 2015/16 (R4245) be received.

4. Background

Top of the South Collective

- 4.1 Nelson City Council is part of the Top of the South Collective with Tasman District Council and Marlborough District Council which was formed 1 July 2011. The insurance broker is Jardine Lloyd Thomson (JLT) and Nelson City Council has various insurance policies including:

- Material Damage;
- Business Interruption;
- Motor Vehicle;
- Public and Professional Indemnity;
- Crime, Statutory and Employers Liability;
- Harbour Masters and Wreck Removal Liability;
- Hall Hirers Liability;
- Personal Accident;
- Forestry.

Local Authority Protection Programme

- 4.2 Separately, Council is a member in the Local Authority Protection Programme (LAPP) scheme which is a mutual scheme whose membership consists of 33 local authorities. It is aimed at providing insurance cover for damage to infrastructural assets from natural hazard events. It only covers the 40% of damage costs not covered by the National Disaster Recovery Plan which currently covers 60%. Council has \$696 million of infrastructure assets covered by the Local Authority Protection Programme (\$653m 2014/15).

5. Discussion

Top of the South Collective

- 5.1 Material Damage premiums have decreased by \$97,000 for 2014/15 however this has been partially offset by an increase in the Fire Service Levy of \$36,000.
- 5.2 Historically the Top of the South collective have paid the Fire Service levies on the fire indemnity loss limit and then shared the cost between the three parties. A recent Supreme Court decision has overruled a High Court and Court of Appeal decision and said that fire service levies must be calculated on the actual indemnity value of the insured property ie view the collective as three separate contracts for the calculation even though we are sharing a limit.
- 5.3 Since the Christchurch earthquakes there has been a Natural Disaster loss limit in the Material Damage policy reflecting a lack of capacity in the insurance market (for 2014/15 this was a shared limit of \$250 million). This limit has been removed for 2015/16 at no additional premium.

Local Authority Protection Programme

- 5.4 Council gave notice last year that it was considering withdrawing from the LAPP scheme. Members must give one year's notice but are able to retract the notice by mid May. Council officers believe it is financially prudent to give notice to withdraw annually so that Council could look at other insurance options. Council gave notice 18 May 2015 that they intended to stay with LAPP for the 2015/16 renewal and again gave notice to withdraw from 1 July 2016.
- 5.5 Contributions for 2015/16 for LAPP are \$279,200 compared with \$349,000 in 2014/15 with a \$1.8m deductible. This is due to a softening on the global insurance markets over the last couple of years. This policy is subject to a limit for any one event of \$125m total including the central government 60% component with one reinstatement per year.
- 5.6 JLT (Council brokers) sourced some quotes for 2015/16 insurance cover for our infrastructure assets. For a similar deductible to LAPP of \$2m the annual premium quoted ranged between \$300,000 and \$375,000. This would be subject to a limit for any one event of \$125m total including the central government 60% component.
- 5.7 LGNZ commissioned a report in 2013 to review the insurance market for the local authority sector post Christchurch earthquakes and leaky homes and the impact thereof on the 3 sector-owned entities Civic, LAPP and Riskpool.
- 5.8 The report, prepared by Craig Stobo, made recommendations which may impact on the structure and role of the LAPP scheme in the future as well as the Central government's role. The working party has been set up to look at the way forward and it is advisable that Council pay close attention to any potential future changes.
- 5.9 Given this, officers chose to remain with LAPP for the 2015/16 insurance renewal while retaining the right to withdraw and reconsider other options from 1 July 2016.

6. Options

- 6.1 The recommendation is to receive the report.

7. Alignment with relevant Council policy

- 7.1 This recommendation is not inconsistent with any previous Council decision.

8. Assessment of Significance against the Council's Significance and Engagement Policy

- 8.1 This is not a significant decision.

9. Consultation

9.1 No consultation has been undertaken in preparing this report.

10. Inclusion of Māori in the decision making process

10.1 No consultation with Maori has been undertaken in preparing this report.

Nikki Harrison
Group Manager Corporate Services

Attachments

Nil

Bad debt report to 30 June 2015

1. Purpose of Report

- 1.1 To inform the subcommittee of the bad debts being written off for the year ending 30 June 2015.

2. Delegations

- 2.1 The subcommittee has responsibility for the management of financial risk.

3. Recommendation

THAT the report Bad debt report to 30 June 2015 (R4206) be received.

4. Discussion

- 4.1 There are no debts over \$2,500 to be approved and written off for the year ending 30 June 2015.
- 4.2 A number of accounts under \$2,500 per debtor have been written off by the Group Manager Corporate Services under Delegation F12. These totalled \$12,185. \$6,141 was for eight separate marina debts, \$4,330 for sixteen separate debts for dog impounding fees, and an \$800 concession fee. The balance was minor and sundry in nature.
- 4.3 The decision is an administrative one and although the debts are written off from an accounting point of view, a record is still kept and if an opportunity to recover the debt arises, action will be taken. \$11,805 of this balance is with Creditmens, our debt recovery agency, which we will continue to try to recover. Every possible effort has been made to locate and obtain payment from these debtors.
- 4.4 A summary of this year's write-off compared to last year's provision is as follows:

	Write-off 2015 \$	Write-off 2014 \$
Over \$2,500	-	230,875

Under \$2,500	12,185	8,176
Cost for year	12,185	239,051

5. Options

5.1 The recommendation is to receive the report.

6. Alignment with relevant Council policy

6.1 This recommendation is not inconsistent with any previous Council decision.

7. Assessment of Significance against the Council's Significance and Engagement Policy

7.1 This is not a significant decision.

8. Consultation

8.1 No consultation has occurred in preparation of this report.

9. Inclusion of Māori in the decision making process

9.1 No consultation with Maori has occurred in preparation of this report.

Lynn Anderson
Accounting Services Manager

Attachments

Nil

2014/15 Audit New Zealand Letters

1. Purpose of Report

- 1.1 To provide the subcommittee with the letters to the Council on the interim audit for the year ending 30 June 2015 from Audit NZ.
- 1.2 To provide the subcommittee with the Audit Engagement Letter for the year ending 30 June 2015 and seek approval for the Mayor to sign.

2. Delegations

- 2.1 The subcommittee is responsible for the oversight of the audit process and the audit of Council's Annual Report and annual accounts.

3. Recommendation

THAT the report 2014/15 Audit New Zealand Letters (R4433) and its attachments (A1371563 and A1372353) be received.

AND THAT the committee provide any feedback on the engagement letter to Audit NZ

4. Discussion

Interim audit

- 4.1 Audit NZ carried out the interim audit for the year ending 30 June 2015 in mid April 2015 which focused on the Council's internal controls and the overall control environment. They issued two letters - a letter to the Council which covers governance issues (Attachment 1) and a letter to the Chief Executive which covers management issues.
- 4.2 Overall Audit NZ found that the Council's internal controls were operating effectively. However they have identified areas where the Council could consider enhancing its internal controls which are outlined in the letter to the Chief Executive.

Audit Engagement letter

- 4.3 The Audit Engagement letter (Attachment 2) sets out the proposed arrangements for the 2014/15 audit of the Council, including the debenture trust deed and Nelson Tasman Combined Civil Defence Organisation.
- 4.4 This letter is required to be signed by Council to confirm that the details of the audit match its understanding of the arrangements. The Mayor has provisionally signed the letter but this has not been forwarded to Audit NZ, pending any feedback from this Committee.

5. Options

- 5.1 That the subcommittee note the matters raised in the letters to the Council and the Chief Executive on the interim audit of Nelson City Council for the year ending 30 June 2015.
- 5.2 That the subcommittee either agree to sign the Audit Engagement letter or provide additional feedback to Audit NZ.

6. Alignment with relevant Council policy

- 6.1 This recommendation is not inconsistent with any previous Council decision.

7. Assessment of Significance against the Council's Significance and Engagement Policy

- 7.1 This is not a significant decision.

8. Consultation

- 8.1 No consultation has occurred in preparation of this report.

9. Inclusion of Māori in the decision making process

- 9.1 No consultation with Maori has occurred in preparation of this report.

Nikki Harrison

Group Manager Corporate Services

Attachments

- Attachment 1: A1371563 - Audit New Zealand - Letter to the Council on the interim audit of Nelson City Council for the year ending 30 June 2015
- Attachment 2: A1372353 - Audit New Zealand - Audit Engagement Letter 2014/15

15 June 2015

PO Box 2, Christchurch 8140

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Fax: 03 961 3059

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15 JUN 2015

NELSON CITY COUNCIL

Rachel Reese
Mayor
Nelson City Council
PO Box 645
Nelson 7040

cc John Peters, Chair of the Audit, Risk and Finance Subcommittee
Clare Hadley, Chief Executive
Nikki Harrison, Chief Finance Officer

Dear Rachel

Letter to the Council on the interim audit of Nelson City Council for the year ending 30 June 2015

1 Introduction

We have completed our interim audit of Nelson City Council (the City Council) and this letter briefly outlines the work undertaken and the key findings from our audit. We have also provided a separate letter to management, which sets out our detailed findings.

Work undertaken

Our interim audit primarily focused on updating our understanding of the City Council's internal controls in its key financial and non-financial systems. To complement this we undertook an assessment of key aspects of the overall control environment (see section 2 of this letter) and the issues facing the City Council this financial year (see sections 3 of this letter).

We have provided an overview of the content of our supplementary letter to management, which provides more detail in relation to our interim audit findings, in section 4 of this letter.

In 2015 our main focus to date has been on auditing the City Council's 2015-25 Consultation Document and its underlying information. This has meant that we are not as far along in our annual audit as we would normally be at this time of the year. This will mean that some work we usually complete during our interim audit visit will instead occur in our final audit visit in August 2015.

2 Assessment of the control environment

We performed a high level assessment of the control environment. This assessment is for the purpose of planning the most effective and efficient audit approach, to

enable us to express an audit opinion on the City Council's financial statements and the non-financial information.

It is not the purpose of our assessment to provide you with assurance on internal control in its own right. Our assessment will not necessarily identify and detect all matters in relation to internal control.

However in performing this assessment, where we have identified areas where we believe the control environment can be improved, these matters are reported in our supplementary letter to management.

2.1 Risk management

We followed up whether the City Council plans to implement a formal risk management plan for its strategic and operational risks. In the past six months senior management have developed a risk matrix. We are aware that the Council has resolved to proceed with implementing a risk management framework. Management intends to create two roles to develop and report on risk management. These roles are not expected to be created till the 2015/16 year.

We will continue to monitor the City Council's progress and its approach to managing the risks identified as part of the process.

2.2 Conflicts of interest

Due to the nature of the public sector there will always be a level of inherent risk related to conflicts of interest. In a small country like New Zealand, it is common for people to have multiple interests. However, in the public sector, where high standards of ethical conduct are expected, these interests need careful management if they come into conflict. Conflicts of interest can occur in a range of situations, from:

- elected representatives – where the City Council provides grants or funding to organisations in which a council member has an interest or involvement; to
- staff members – in particular those staff in high risk and fiduciary roles such as procurement, grants, funding processes, and issuing permits or consents, who have interests in organisations which have business or other relationships with the City Council.

In this respect, we note that the City Council has a number of policies in place to manage these situations. These include the code of conduct and guidance to the interests register. The City Council's interests register applies to both elected members and senior management. The City Council's policies assist in reducing the risk in this area.

In previous years, we have recommended the City Council expand the coverage of certain matters in the code of conduct. These matters are included in our letter to management. We understand that an updated code will include these matters and will be formally adopted by the Council.

2.3 Procurement

The City Council is a large organisation with operating and capital expenditure of around \$100 million per annum. The high level of procurement and the large number of staff who are able to procure goods and services increases the inherent risk to the City Council.

To mitigate this risk, the Council adopted a procurement policy which provides guidance to those involved in procurement of goods and services. We reviewed the updated version of this policy this year and found it was aligned with relevant legislation and purchasing and procurement guidance, issued by central government and the OAG.

2.4 Project management

The City Council is involved in managing a number of projects to complete its annual works schedule. The most significant of these projects relate to upgrades to the City Council's infrastructure assets.

To manage these projects, the City Council's processes are based upon industry standard project management methodology PRINCE2. There are also appropriate governance arrangements put in place for these projects and reporting of progress to management.

We note that the City Council has not historically made use of independent quality assurance (IQA) reviews. We encourage the Council to make use of IQA, for larger projects in particular, when the nature of the project is not business as usual.

2.5 Asset management

We reviewed asset management as part of our audit of the LTP Consultation Document. Our findings are included in our LTP Consultation Document management letter and have not been reproduced below. We will continue to review how management has addressed our findings.

2.6 Internal controls

We reviewed the internal controls in place for key financial and non-financial information systems. Internal controls are the policies and processes that are designed, implemented and maintained by Council and management – to provide reasonable assurance as to reliability and accuracy of financial and non-financial reporting, as well as compliance with significant legislative requirements. Both "design effective"¹ and "operationally effective"² internal controls are important to minimising the risk of either fraud or misstatement occurring. The responsibility for the effective design, implementation and maintenance of internal control rests with the Council.

After reviewing the City Council's systems of internal controls, we found that generally design effective controls were in place. Where we tested these controls, we found that they were operating effectively. However, we have identified areas where the City Council could consider enhancing its internal controls. These areas are outlined in our supplementary letter to management.

¹ Control is effective to either prevent or detect a material error in either the financial statements and/or non-financial information. The control is "fit for purpose".

² Control has operated effectively throughout the period tested.

3 Business risks/issues

The matters that we are paying particular attention to this year are outlined in our audit arrangements letter. We will comment in full on these matters in our final management letter. However, based on our work to date, we make the following comments:

3.1 Building assessments

We followed up on the City Council's progress with its seismic assessments of its building stock. Good progress has been made with a further 18 buildings being assessed. Six of the assessed buildings are below 34% of the National Building Standard (the code).

The Council has not made a decision with regards to the long-term future of the buildings below code. We note that the City Council's Earthquake-Prone, Dangerous and Insanitary Buildings Policy require buildings below the code to be strengthened to at least 34% of code. We understand that management plans to provide a report to the Council in June that will provide all the information on the City Council's building portfolio and guidance on the best way forward.

Since 1 July 2013, the Trafalgar Centre has received a Section 124 notice and from December 2013 has been closed to the public. The City Council has proposed in its draft 2015-25 LTP to set aside \$9.5 million in 2016 and is still considering its options to remediate within this budget.

We will continue to monitor the progress in completing building assessments. As part of our year-end audit, we will consider accounting implications arising from any decisions made by Council on its earthquake-prone building stock. This will include the any potential impairment for the Trafalgar Centre.

4 Supplementary letter

We have provided management with a supplementary letter that outlines our findings and recommendations about less significant and miscellaneous matters. The topics covered in this supplementary letter include:

Internal controls

Detailed findings and recommendations in relation to the City Council's systems of control.

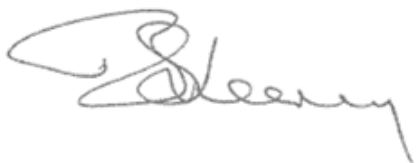
Matter raised in the prior year

A listing of recommendations made in 2014 in our letter to management and the updated position in relation to each.

There are no issues arising from these that we need to specifically bring to your attention.

We wish to thank the City Council for the assistance and cooperation extended during the course of the audit. If you have any questions, please contact me directly on 021 222 8464.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Bede Kearney', with a stylized, cursive script.

Bede Kearney
Director

16 June 2015

PO Box 2, Christchurch 8140

www.auditnz.govt.nz

Fax: 03 961 3059

Rachel Reese
 Mayor
 Nelson City Council
 PO Box 645
 Nelson 7040

cc Clare Hadley, Chief Executive
 Nikki Harrison, Group Manager Corporate Services
 John Peters, Chair, Audit, Risk and Finance Subcommittee

Dear Rachel

Audit for the year ending 30 June 2015

I am writing to outline our arrangements for the audit of the Nelson City Council (the City Council) for the year ending 30 June 2015. This letter also covers the assurance engagement providing an auditor's report to the City Council's bond trustees, and the audit of the Nelson Tasman Combined Civil Defence Organisation (NTCCDO).

Agreement to be signed

On the next page is an agreement for you to sign. Your signature confirms that the details of the audit match your understanding of the arrangements for this year's audit. Please sign and return one copy of the agreement.

Details of the audit

Here we set out the proposed arrangements for this year's audit. This includes:

- business risks and accounting issues and our audit response, our areas of interest for all Local Authorities;
- changes to accounting standards; and
- logistics (such as our audit team and timing).

Additional information attached

We have attached two appendices for your information:

- Appendix 1: Areas of interest for all Local Authorities
- Appendix 2: Additional information about the audit.

Please take the time to read this document thoroughly before returning the signed agreement. If there are additional matters that should be included, or any matters requiring clarification, please contact me.

Yours sincerely



Bede Kearney
Director

Agreement to be signed

I acknowledge that the details of the audit set out here are in keeping with my understanding of the arrangements for the audit.

Signed _____ Date _____
Rachel Reese
Mayor

Details of the audit

1 Introduction

This document sets out the arrangements for the audit of Nelson City Council (the City Council) for the year ending 30 June 2015. These include:

- business risks/issues and our audit response;
- areas of interest for all Local Authorities;
- first financial statements prepared using the new PBE accounting standards; and
- logistics (such as our audit team, timing, and fees).

This letter also covers the assurance engagement providing an auditor's report to the City Council's bond trustees (the debenture trust deed assurance engagement) and the audit of Nelson Tasman Combined Civil Defence Organisation.

2 The City Council's business risks/issues and our audit response

Based on the planning work and discussions that we have completed to date, we have identified what we consider to be the main business risks and issues facing the City Council. Many of these risks and issues are relevant to the audit because they affect our ability to form an opinion on the financial statements and non-financial performance information. As part of the wider public sector audit, we are also required to be alert to issues of effectiveness and efficiency, waste and a lack of probity or financial prudence (as set out in the Audit Engagement Letter dated 6 May 2014).

The table below sets out the business risks and issues that we have identified in line with these requirements.

Business risk/issue	Our audit response
Audit Committees	
<p>An effective Audit Committee can have a positive impact on the identification and management of risk and provide valuable support to an entity and the Governing Body. In March 2008, the Auditor-General published a good practice guide: "Audit committees in the public sector."</p> <p>Audit committees have a valuable contribution to make in improving the governance, and so the performance and accountability, of public entities. They can play an important role in examining an organisation's policies, processes, systems, and controls. An effective audit committee shows that an organisation is committed to a culture of openness and continuous improvement.</p>	<p>The City Council has formed an Audit and Risk and Finance subcommittee. Its membership includes two external appointees, one of whom is the chair of the subcommittee. As part of assessing the Council's overall control environment we will gain an understanding of the role and impact of the Subcommittee on the control environment. This will include its role in the identification and mitigation of organisational risks and improving governance and accountability. We will also establish a programme of meetings with the subcommittee.</p>

Business risk/issue	Our audit response
<p>The Office of the Auditor-General is in the process of updating 2008 guidance. As part of that process a discussion document has been published seeking comment from Audit Committees in the public sector on what works and does not work for them. We encourage the City Council to consider the guidance and discussion document and provide comment.</p>	
Review of the City Council's control environment	
<p>As part of our audit we will update our knowledge of the control environment. This will involve reviewing both organisation-wide controls and controls over specific transaction streams.</p> <p>Where appropriate we will carry forward information we gathered as part of our 2015-25 LTP audit.</p> <p>In our 2014 audit we took a more structured approach to assessing key risks around certain aspects of the control environment. We reported on our assessments of risk and made recommendations where procedures could be improved or made more consistent across the organisation.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Consider whether key management controls in place have been designed effectively and whether they have been operating as intended. • Assess the extent to which we can place reliance on these. • Follow up the matters raised in our 2014 audit report. • Continue to refine our risk assessments in the following areas; <ul style="list-style-type: none"> ◦ Organisational governance. ◦ Conflicts of Interest. ◦ Procurement and contract management. ◦ Asset management. ◦ Project management. ◦ Financial sustainability. • Communicate any areas of concern, including suggestions on improvements. • Consider the impact of any control weaknesses identified on our audit approach.
Building Assessments	
<p>PBE IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i>, and PBE IPSAS 26 <i>Impairment of Cash-Generating Assets</i> respectively require that an entity assess, at the end of each reporting period, whether there is any indication that an asset (including intangible assets) may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The standard also provides guidance on some indicators that an asset may be impaired.</p>	<p>We will meet with management and understand any new information gained and any decisions made by Council in relation to its building stock following the completion of detailed assessments.</p> <p>When formal decisions are made for each of these buildings, we will confirm that the appropriate accounting treatment is followed.</p>

Business risk/issue	Our audit response
<p>In 2014, the City Council was still working through detailed assessments of its buildings. The initial process in 2011/12 identified thirty-nine buildings that were assessed as being below code. This includes the City Council's ongoing evaluation of options to remediate the Trafalgar Centre to at least 67% of NBS.</p> <p>As at 30 June 2014, fourteen of these buildings have had detailed assessments completed. Ten have been provided with Section 124 notices; of these one is already demolished. The City Council plans to remediate:</p> <ul style="list-style-type: none"> • three to 34% NBS; • two to 67% NBS; • two will have temporary strengthening; and • two are only used for storage. <p>The other two expected to receive Section 124 notices in 2014/15. Council will make a decision on these properties when the Section 124 notices are issued.</p>	
Risk Management	
<p>Sound risk management processes help to minimise the impact of risks on the City Council. If the City Council has not identified risks, or has not put in place specific processes for managing risks, it remains exposed to the full impact of the particular risk.</p> <p>30 June 2014 the City Council did not have a formal risk management plan for identifying, managing and monitoring strategic or operational risks. Nor did it have a formal process for reporting them to Council.</p> <p>In our past management reports we recommended that the City Council implement a framework which records its key strategic and operational risks. This would allow the identification of the controls in place to mitigate these risks.</p>	<p>A Risk Management policy will not be implemented in 2014/15, however we understand the City Council intends to introduce a framework in 2015/16.</p> <p>We will monitor progress in implementing the framework.</p>
Property, Plant and Equipment	
<p>The City Council periodically revalues its infrastructural assets and specialist infrastructural assets. PBE IPSAS 17, Property, Plant and Equipment, requires that valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value.</p> <p>Infrastructural assets and specialist infrastructural assets are revalued on an annual basis.</p>	<p>We will review the City Council's infrastructural asset valuation and confirm that it has been prepared in accordance with NZ IFRS and valuation standards.</p>

We will also follow up on progress made by the City Council in its response to our previous recommendations.

We do not have any specific business risks or issues in relation to our debenture trust deed assurance engagement or the audit of the NTCCDO.

Please tell us about any additional matters that we should be aware of as your auditor, and any specific significant business risks that we have not covered.

3 Our areas of interest for all Local Authorities for 2014/15

As part of our audit planning we have identified an area of focus across the 2015 audits of all local authority clients. This is detailed below.

There are also other areas of audit interest that are part of our audit of the City Council which we monitor as part of our responsibility to consider the broader risks affecting local authorities.

Matter of particular interest for 2014/15

In May 2014, the Auditor-General published a report *Reflections from our audits: Our future needs – is the public sector ready?* The report recognises that public services must change and adapt to meet new challenges and help build the future New Zealanders want. The report identified five aspects that the public sector should be preparing for:

- Protecting the solid foundations of public sector finances.
- Looking after natural resources and physical assets.
- Putting ideas and plans into action.
- Acknowledging the importance of people.
- Embracing digital technology.

As part of our audit, we will consider the observations in the report and report any relevant issues to you. We plan to focus on investment management as part of the 2015 audit. Asset management is also very important for local authorities.

Investment management

Public sector entities are accountable for the public money that they invest in financial assets or projects and programmes. Financial assets across the New Zealand public sector are becoming increasingly significant. The City Council has a number of investments in subsidiaries and associates, notably Port Nelson Limited and Nelmac Limited. The City Council does not have significant cash investments, preferring instead to use surplus cash investments to reduce borrowings. As part of the audit we will update our understanding of the City Council's financial assets and investment practices.

Asset management

Asset management is a core part of the City Council's business and critical to the prudent and sustainable use of public funds. We have recently reviewed and commented on the infrastructure strategy and asset management practices during our audit of the Long Term Plan Consultation Document.

We will consider the City Council's on-going work to improve asset management information.

4 First financial statements prepared using the new public benefit entity accounting standards

The City Council is required to prepare the 30 June 2015 financial statements using the new public benefit entity accounting standards. To ensure a smooth audit of the first financial statements prepared using the new standards, the City Council needs to:

- assess and document the differences that may have a recognition, measurement, presentation, or disclosure effect on the City Council and group's financial statements;
- update the statement of accounting policies to comply with the new standards;
- prepare an opening statement of financial position and restate comparatives (including disclosures) to comply with the new standards;
- determine any required system changes to comply with the new standards; and
- consider group reporting implications that could arise from accounting policy differences between the PBE group and its for-profit subsidiaries.

From discussions with management, the City Council has made a start with its transition work, although it is not that far along. Few changes are expected. Given that few changes are expected, we plan to audit the updated accounting policies, opening statement of financial position, and restated comparatives during the final audit visit. It is important that the above work is completed in advance of our review.

We will be progressively updating our model financial statements and publishing a table of key differences in the new PBE standards. These publications will be available on our website in the next couple of months. To assist with the City Council's transition, we have shared our NZ IPSAS disclosure checklist with management.

We expect the City Council to have adequately prepared for the adoption of the new standards. If the audit takes more time than planned because the City Council has not been prepared to apply the new standards, we will look to recover additional fees.

5 Logistics

5.1 Our audit team

The Audit New Zealand staff involved in the audit are:

Bede Kearney	Director
Hugh Jory	Audit Manager
Ben Lo	Audit Supervisor
Brian Breen	Information Systems Auditor

5.2 Important dates in the audit process

Our proposed timetable is:

	Date
Interim audit begins	Completed
Draft interim management report issued	Completed
Management comments received and finalised management report issued	Completed
Draft financial statements and non-financial performance information available for audit ¹	24 August 2015
Final audit begins	24 August 2015
Report to trustees of debenture trust deed available for audit	7 September 2015
Final financial statements available ² for audit	14 September 2015
Annual report ³ available for audit	14 September 2015
Verbal audit clearance given	18 September 2015
Draft final detailed management report issued	2 October 2015
Audit opinion issued	15 October 2015
Management comments received and finalised management report issued	16 October 2015

5.3 Our interim audit visit

We completed the interim audit in April 2015. During the visit, we focused on updating our understanding of the City Council's internal control. This included reviewing the control environment, risk assessment processes and relevant aspects of information systems controls. We will use the results of this assessment to determine how much we can rely on the information produced from City Council systems during our final audit.

5.4 Our final audit visit

Our final audit is scheduled to start on 24 August 2015 and is expected to last three weeks onsite. During this visit we will be auditing the balances, disclosures, and other information included in the financial statements and the non-financial performance information.

¹ Financial statements (including notes to the financial statements) and non-financial performance information with actual year-end figures.

² Financial statements and non-financial performance information incorporating all the amendments agreed to between the City Council and Audit New Zealand.

³ Annual report, including any Chair's and Chief Executive's overview or reports.

Our audit of the Organisation is scheduled to commence on the 19 October 2015 and is scheduled to last one week. As in prior years, we will complete this audit from our office.

5.5 Professional fees

Our audit fees for the year ending 30 June 2015 are as follows:

- The City Council: \$116,300 plus disbursements (GST exclusive).
- The debenture trust deed assurance engagement: \$1,730 (GST exclusive).
- The Organisation: \$6,950 (GST exclusive).

These are as agreed in the Audit Proposal Letter dated 5 May 2014.

The fees assume that the expectations discussed in Appendix 2 will be met. If this does not occur, or the scope of the audit changes, we will discuss this further with the City Council.

We propose to bill as follows:	Amount
April 2015	40,000
August 2015	30,000
September 2015	30,000
October 2015	16,300
	<u>116,300</u>

We will invoice for our other engagements when they are completed.

To ensure we can complete the audit within the proposed time frame (see section 5.2) and agreed fee, it is critical that the City Council makes appropriate supporting documentation available to us on a timely basis. If this is not the case, it is likely to result in cost overruns, which we will seek to recovery of.

Appendix 1: Areas of interest for all Local Authorities

As well as the risks and issues noted above, there are also a number of other concerns common to the local government sector. These are outlined below.

Areas of interest	Our audit response
Public sector concerns	
<p>Under our audit mandate, we are required be alert for and review matters of effectiveness and efficiency, waste, and a lack of probity or financial prudence. These matters could include the following:</p> <ul style="list-style-type: none"> • Situations where those in governance or management roles have conflicts of interest. • The payment of unusually high or unjustifiable fees to those in a governance role. • Excessive or unusual ex gratia payments made to employees. • Frequent overriding of policies for sensitive expenditure. 	<p>In the course of our usual audit work we will remain alert for matters of performance, waste and probity. Specifically, we will:</p> <ul style="list-style-type: none"> • Remain alert for conflicts of interest. It is important that both the City Council and councillors identify and manage compliance with the Local Government (Members' Interests) Act 1968. • Confirm that the City Council has complied with the relevant Local Government Elected Members Determination and disclosed the remuneration of each member in the annual report. • Review a sample of severance payments made by the City Council and confirm that these payments are disclosed appropriately in the annual report. • Review a sample of sensitive expenditure transactions for compliance with the City Council's internal policies.
Possible LTP amendments	
<p>Every proposed amendment must be audited. An amendment arises where Council proposes:</p> <ul style="list-style-type: none"> • a significant change to services levels [section 97 (1)(a)]; or • to transfer ownership of a strategic asset [section 97(1)(b)]; or • a significant change to the revenue and financing policy [section 103(4)]. 	<p>We will remain alert for possible amendments throughout the year. We will maintain contact with management and discuss potential amendments as they arise.</p>
Information technology	
<p>The City Council is dependent on its IT systems. The reliability of the IT systems, technology platforms, and associated controls is critical to maintaining the integrity of the City Council's data and ensuring continuity of services to its customers. The integrity of the IT systems supports the timely reporting of a quality Annual Report.</p>	<p>We will be completing a review of the City Council's IT General Controls (ITGC), which will include:</p> <ul style="list-style-type: none"> • IT security (network and applications; • business continuity and IT disaster recovery; • change management; and • operations, problems and incident management.

Areas of interest	Our audit response
	<p>We will also maintain an awareness of any planned or implemented initiatives and the impact these may have on the City Council's processes and control environment.</p> <p>We will assess any impact such initiatives will have on our audit approach and requirements.</p>
Rates	
<p>Rates are Council's primary funding source. Compliance with the Local Government (Rating) Act 2002 (LGRA) in rates setting and collection is critical to ensure that rates are validly set and not at risk of challenge. The City Council should ensure they have appropriate processes in place, including seeking legal advice where appropriate, to ensure compliance of their rates and rating processes with legislation.</p>	<p>For 2015, we will again consider Council's compliance with aspects of the LGRA that materially impact on the financial statements. Principally this means a focus on the rates setting process – the consistency and completeness of the resolution and the Funding Impact Statement (FIS), and reviewing a sample of differentially set and/or targeted rates to assess whether the matters and factors used are consistent with the LGRA.</p> <p>Our review of compliance with legislation is completed for the purposes of expressing our audit opinion. It is not, and should not be seen, as a comprehensive legal review. This is beyond the scope of the audit, and our expertise as auditors. The Council has responsibility for ensuring that it complies with applicable laws and regulations.</p>
Performance measure rules	
<p>In November 2013 the Department of Internal Affairs (DIA) announced the Non-financial Performance Measures Rules 2013 (the Rules). The Rules came into force under s261B of the LGA 2002, and mandated a total of 19 measures across water supply, wastewater, stormwater drainage, flood protection and roading and footpath activities. These measures must be included in the 2015-2025 LTP and be reported on for the first time in the 2016 Annual Report.</p>	<p>We will discuss with the City Council how it is planning to establish the systems necessary to capture this information.</p>
Property, plant and equipment – impairment assessment	
<p>We expect the Council to have completed an impairment assessment to determine whether any assets will need to be impaired. This assessment needs to be made at an early stage, to avoid the risk of this becoming a significant issue at a late stage in the audit.</p>	<p>We will review the City Council's assessment of whether there are any indicators of impairment, and the resulting accounting treatment if applicable.</p>
Financial reporting disclosures	
<p>Schedule 10 of the Local Government Act and the Local Government (Financial Reporting and Prudence) Regulations 2014 detail disclosures to</p>	<p>We will check that all the disclosures required by schedule 10 of the Local Government Act and the Local Government (Financial Reporting and</p>

Areas of interest	Our audit response
be included in the Annual Report. The City Council successfully implemented these disclosures in its 2014 annual report.	Prudence) Regulations 2014 have been appropriately included in the City Council's annual report.
Annual report adoption and public release dates return	
There is a risk that the annual report and summary annual report are not adopted in accordance with the timeline set out in the Local Government Act 2002 (LGA). The Office of the Auditor General (OAG) will monitor the annual report adoption and public release dates.	We will note the dates that the City Council adopts its annual report, and makes the full and summary annual reports available to the public. This information will be forwarded to the OAG.
Local authority exemptions for Council Controlled Organisations (CCOs)	
Under section 7 of the LGA, a Local Authority may exempt a "small" CCO from the accountability regime that applies to CCOs under the LGA.	We will advise the OAG on the City Council's use of section 7 of the LGA to exempt any CCOs since 1 July 2014, including the renewal of existing exemptions that expire.

Appendix 2: Additional information about the audit

Our reporting protocols

Management reports

We will provide a draft of all management reports to management for discussion/clearance purposes. In the interests of timely reporting, we ask management to provide their comments in line with our timetable included in section 5.2. Once management comments are received the report will be finalised and provided to the City Council.

Reporting of misstatements

We will include details of all uncorrected misstatements in our management report. Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of the City Council's financial statements.

During the audit, we will provide details of any such misstatements we identify to an appropriate level of management. We will ask for each misstatement to be corrected in the City Council's financial statements or non-financial performance information. Where management does not wish to correct a misstatement we will seek written representations from representatives of the Council that specify the reasons why the corrections will not be made.

Our expectations of the City Council to enable an efficient audit

To enable us to carry out our audit efficiently within the proposed audit fee, we expect that the City Council will:

- provide to us in a timely manner the complete information required by us to conduct the audit;
- provide us with an appropriate level of assistance;
- subject the draft annual report incorporating the financial statements and the non-financial performance information to appropriate levels of quality review before being submitted to us for audit; and
- ensure the financial statements and non-financial performance information include all relevant disclosures.

Our audit fee is based on the assumption that we will review no more than two sets of the draft annual report, one printer's proof copy of the annual report, and one copy of the electronic version of the annual report for publication on the City Council's website.

How we consider compliance with statutory authority

As part of the Auditor-General's mandate, we carry out an audit of compliance with statutory authority. Our audit is limited to obtaining assurance that the City Council has complied with certain laws and regulations that may directly affect the financial statements or general accountability. Our audit does not cover all of the City Council's requirements to comply with statutory authority.

Our approach to this aspect of the audit will mainly involve assessing the systems and procedures that are in place to ensure compliance with certain laws and regulations that we consider to be significant. We will also complete our own checklists covering the key requirements of significant legislation. In addition, we will remain alert for any instances of non-compliance that come to our attention. We will evaluate the relevance of any such non-compliance to our audit.

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